



FINANCE COMMITTEE

REGULAR MEETING
Thursday, January 10, 2019 - 10:00 AM
2850 Burton Drive, Cambria, CA 93428

1/18/19: Revised Table of Contents and added Regular Business Item 3.D.
Attachment

AGENDA

- A. CALL TO ORDER
- B. ESTABLISH QUORUM
- C. CHAIRMAN'S REPORT

1. PUBLIC COMMENT

Members of the public may now address the Committee on any item of interest within the jurisdiction of the Committee but not on its agenda today. In compliance with the Brown Act, the Committee cannot discuss or act on items not on the agenda. Each speaker has up to three minutes. Speaker slips (available at the entry) should be submitted to the District Clerk.

2. CONSENT AGENDA

- A. Consideration to Approve the November 29, 2018 Regular Meeting Minutes

3. REGULAR BUSINESS

- A. Discussion and Consideration Regarding 2019 Finance Standing Committee Dates
- B. Discussion and Consideration to Appoint an Ad Hoc Committee to Work on the Reserve Fund Policy
- C. Discussion Regarding the CCSD Owned Vehicle Policy
- D. Discussion and Consideration Regarding CIP Work Plan and Projected Revenue Based on Infrastructure Recommendations
- E. Discussion and Consideration Regarding Finance Committee

Structure and Provide Recommendation to the Board of Directors

4. **FUTURE AGENDA ITEMS**
5. **ADJOURN**

TABLE OF CONTENTS

CONSENT AGENDA

MINUTES 1

REGULAR BUSINESS ITEM 3.A.

DISCUSSION AND CONSIDERATION REGARDING 2019 FINANCE STANDING COMMITTEE DATES

REGULAR BUSINESS ITEM 3.B.

DISCUSSION AND CONSIDERATION TO APPOINT AN AD HOC COMMITTEE TO WORK ON THE RESERVE FUND POLICY 23

REGULAR BUSINESS ITEM 3.C.

DISCUSSION REGARDING THE CCSD OWNED VEHICLE POLICY 102

REGULAR BUSINESS ITEM 3.D.

DISCUSSION AND CONSIDERATION REGARDING CIP WORK PLAN AND PROJECTED REVENUE BASED ON INFRASTRUCTURE RECOMMENDATIONS 105

REGULAR BUSINESS ITEM 3.E.

DISCUSSION AND CONSIDERATION REGARDING FINANCE COMMITTEE STRUCTURE AND PROVIDE RECOMMENDATION TO THE BOARD OF DIRECTORS



FINANCE COMMITTEE

REGULAR MEETING

Thursday, November 29, 2018 - 10:00 AM to 12:00 PM
1000 Main Street Cambria, CA 93428

MINUTES

A. CALL TO ORDER

Chairman Pierson called the meeting to order at 10:00 a.m.

B. ESTABLISH QUORUM

A quorum was established.

Committee members present: David Pierson, Ted Siegler, Cindy Steidel and Dewayne Lee.

Amanda Rice arrived late.

Staff present: District Engineer Bob Gresens, Finance Manager Pamela Duffield and Clerical Assistant Annette Young.

Public present:

Ted Dean

Karen Dean

Mike Lyons

Harry Farmer

Cheryl McDowell

Donn Howell

Jim Bahringer

C. CHAIRMAN'S REPORT

Chairman Pierson stated that committee changes may occur in January.

Committee member Rice said the Board will discuss input from both committees at the January Board meeting. The Board wants to make sure that they have committees that represent what the community wants.

1. PUBLIC COMMENT

Public Comment: None.

2. CONSENT AGENDA

A. Consideration to Approve the November 1, 2018 Regular Meeting Minutes

Vice Chair Siegler moved to approve the minutes.

Committee member Steidel seconded the motion.

The motion was approved: 4-Ayes (Siegler, Steidel, Pierson, Lee), 0-Nays, 1-Absent (Rice)

Chairman Pierson asked the committee if they would like to hear Regular Business Item 3.C. first, so Mr. Gresens can present the item and return to work?

The committee members agreed.

3. REGULAR BUSINESS

A. Discussion Regarding Progress Made on Reserve Fund Policy

Chairman Pierson introduced the item and stated he made changes to the policy.

The committee had an extensive discussion regarding the Reserve Fund Policy.

Vice Chair Siegler asked where the money is coming from to create funds and reserves?

Mrs. Duffield said that was her question as well. It's a great plan, but I don't know if it's doable.

Chairman Pierson said it has to be. I agree that in the very near future we're not going to be able to put much in the funds, but we have to start planning for it in the budget. We've allowed the reserve funds to diminish to almost nothing. We've got to build it back up. The General Fund has to be built back up because it doesn't get much revenue from July to December. We need to identify the monies in the budget. We need to be prepared. It's going to be difficult, but we need a policy in place.

Vice Chair Siegler asked if any reserves were incorporated into the rate study?

Chairman Pierson indicated some were.

Vice Chair Siegler asked if it is compliant with Prop 218?

Chairman Pierson indicated it is compliant.

Vice Chair Siegler suggested to be explicit with the annual budget process. The Board will consider the need for reserve funds and set aside an amount defined by the Board annually.

Committee member Rice said it's better to say a set percentage is set aside for reserves for each fund.

Vice Chair Siegler said the Board should address or revisit the reserve issue each year.

Chairman Pierson asked if we want to put in a recommended percentage in this policy or say the Board should be considering reserve funding each year when doing budgeting?

Vice Chair Siegler said the latter.

Committee member Steidel suggested reviewing and evaluating the percentage each year.

Committee member Rice said the policy says you may not set aside zero. We don't need a percentage, but it shouldn't say zero.

Vice Chair Siegler commented that if reserves are sufficient, zero is okay.

Public Comment:

Mike Lyons: As a ratepayer and member of the community, I'm concerned about infrastructure and reserves. As a ratepayer, if the Board approves setting aside reserves and has to cut back on some other budget items, he thinks ratepayers would be behind it.

Cheryl McDowell: I agree.

Committee member Lee agrees but said we've neglected our needs and gotten behind and until we catch up, we may want to go easy in the beginning.

Committee member Rice said based on the conversation, we may need to look at the General Fund reserve policy and set aside the Enterprise Fund reserve policy, so we don't undo some things we're doing with Prop 218 money.

Vice Chair Siegler disagrees with trying to isolate funds from a policy that the agency needs to consider. We have elected board members to make those decisions.

Public Comment:

Mike Lyons: When Prop 218 funds come in, wouldn't it be wise to put a percentage into reserves and then do infrastructure projects?

Vice Chair Siegler said he wants to see a budget.

Chairman Pierson agrees with Vice Chair Siegler. If we establish a percentage of revenue going into reserves, we may not complete a project, but a percentage should be set aside. Let's see what happens with the 2019/2020 budget before we decide.

Mrs. Duffield stated Mr. Gresens' CIP infrastructure list has identified vehicles for replacement using Prop 218 funds. She and Mr. Gresens are working on looking at what the rate increase said the funds would be used for.

Public Comment:

Cheryl McDowell: Can we set aside fire department funds for reserves – if it's there? Do you know how healthy these funds are?

Chairman Pierson said Fire is part of the General Fund and the accounting and budgeting are by fund.

Vice Chair Siegler said in the audit the General Fund is broken out, but we don't have a good balance sheet yet. There needs to be one for each fund. Pam has a lot of work to catch up on, so it's a lot to expect right now, but it's part of getting good financial information.

Committee member Steidel asked what's the difference between a set-aside fund and sinking fund?

Vice Chair Siegler said he used the term sinking fund. It's using cash flow depreciation for equipment replacement, but it's not applicable for governmental funds though.

Committee member Steidel asked if the designated special use is a set-aside fund?

Committee member Rice stated maybe Cindy's issue would be addressed if we had a sheet of definitions.

Committee member Steidel agreed that could be part of the policy.

The committee members agreed.

Chairman Pierson said I don't think we're going to be able to do anything with reserve funding this budget year, but we need to look at it for the 2019/2020 budget in April or May 2019. The committee has time to work on it. We may have new committee members and should let them address this.

Committee member Rice made a motion to approve Chairman Pierson's suggestion.

Vice Chair Siegler seconded the motion.

The motion was approved: 5-Ayes (Rice, Siegler, Pierson, Steidel, Lee), 0-Nays, 0-Absent

B. Discussion Regarding Progress Made on Interfund Loan Policy

Chairman Pierson introduced the item and stated he made minor adjustments to the policy. If the committee agrees with the policy, he would accept a motion to approve the policy.

Committee member Rice said she was okay to move the policy to the Board for consideration.

Mrs. Duffield commented that the Sample Loan Document provided in the policy doesn't reflect the repayment term of seven (7) years that the Board agreed to.

Chairman Pierson said it's just a sample.

Mrs. Duffield suggests changing sample letter to approved seven (7) year term.

Committee member Rice said it should be changed to read fewer than seven (7) years or a maximum of seven (7) years.

Public Comment:

Mike Lyons: Prop 218 was a vote to get money for specific funds. Will the Board answer to ratepayers about where funds are used from Prop 218 revenue? How are they going to defend using the funds if the public objects to using Prop 218 funds for interfund loan transfers?

Committee member Rice stated that the interfund loan policy is for the General Fund to loan money to the Enterprise Funds. We can't take money from an Enterprise Fund and give it to the General Fund, but an Enterprise Fund can repay a loan from the General Fund. Taking money from Prop 218 and using it for other things is illegal.

Chairman Pierson said the rules are very restrictive on Prop 218 funds.

Public Comment:

Karen Dean: It might be an issue that people will think you're loaning monies between the three enterprise funds.

Chairman Pierson asked if he should put in a maximum loan term?

Mrs. Duffield said yes, a maximum of seven (7) years. In the policy it says the amount of interest to be charged for these loans will be calculated using the investment rate earned by the San Luis Obispo County Treasury. Why are we using San Luis Obispo County Treasury rates?

Committee member Rice said the Board should make the decision on the interest rate when an interfund loan is made. The policy should suggest using what's in the Local Agency Investment Fund (LAIF) or whatever interest rate is reasonable.

Mrs. Duffield suggests removing the San Luis Obispo Treasury sentence.

Public Comment:

Donn Howell: In the same paragraph it speaks about Enterprise Funds loaning to other District funds and it should be changed.

Committee member Rice said yes, it needs to be changed.

Chairman Pierson asked if we should get rid of the two sentences about San Luis Obispo Treasury and the one Donn brought up about Enterprise Funds loaning to other District funds?

The committee agreed.

Chairman Pierson said the changes to the policy are: 1) repayment of all loans will be made within a maximum of seven (7) years, and 2) delete the two sentences in paragraph four in the policy section.

Committee member Rice said maybe we should change the sample loan document to eliminate references to dates, terms, and dollar amounts to prevent confusion. We should put blanks where those references are, and they can be filled in when the agreement is prepared.

Committee member Rice made a motion to accept the following changes to the policy: 1) repayment of all loans will be made within a maximum of seven (7) years, and 2) delete the two sentences in paragraph four in the policy section and to eliminate references to dates, terms, and dollar amounts in the sample loan document. We should put blanks where those references are, and they can be filled in when the agreement is prepared.

Vice Chair Siegler seconded the motion.

The motion was approved: 5-Ayes (Rice, Siegler, Pierson, Steidel, Lee), 0-Nays, 0-Absent

C. Receive an Update on the Army Corps of Engineers Grant and IRWM Grant Process

District Engineer Bob Gresens provided the Committee with a PowerPoint presentation on grants (attached).

The Committee had an extensive discussion regarding the grants.

Chairman Pierson asked the \$7 million is not appropriated, right?

Mr. Gresens responded that it's authorized, not appropriated.

Vice Chair Siegler asked if there's \$7 million left, did we actually receive any funds?

Mr. Gresens said no, we used \$6 million to pay for Army Corps of Engineers' (ACE) staff costs for work already done.

Vice Chair Siegler said it's as if ACE is working for us and costs are being paid by allocation.

Mr. Gresens said the \$466,000 loan that went from the General Fund to the water department was to show ACE that we had money to put towards the project. That's still on the books. The Water department is supposed to pay back the loan to the General Fund.

Committee member Rice said she thought we'd written it off but wasn't sure.

Public Comment:

Cheryl McDowell: I think we did.

Vice Chair Siegler asked who would do the project management plan?

Mr. Gresens responded ACE.

Vice Chair Siegler said we would benefit from the work. It's not going to be money out for us, just no money in.

Mr. Gresens responded yes. It's a slow process.

Public Comment:

Cheryl McDowell: Can you get an accounting for allocation?

Mr. Gresens responded yes, he can get that for her.

Chairman Pierson asked Mrs. Duffield to check to see if the loan is still on the books or was written off.

Mrs. Duffield responded that she made a note to do it.

Chairman Pierson said it was in the last audit.

Mr. Gresens provided the Committee with an update on the Proposition 1 grant. We're in the running and need to keep moving forward. Our project ranked 3rd out of 25 projects county-wide. In 2019, the Board will need to discuss the project.

Public Comment:

Mike Lyons: In 2019, Board has to say yes or no on what?

Mr. Gresens said whether the CCSD is going forward with the project. I tried to keep the estimated costs as low as possible.

Public Comment:

Cheryl McDowell: The funds need to be guaranteed by a lender or the district.

Mr. Gresens stated that we need to have further discussion with the Finance Committee and coordinate with the PG&E Turnkey Program.

Mr. Gresens discussed the PG&E Turnkey Program. We can pay for the improvements with on-bill financing where any energy savings from the project is used to offset capitalized project costs. PG&E can do rebates, loans and grants, and can help put together a financing package. PG&E is currently working on a feasibility assessment with their consultant, Michael J Nunley. This will help determine what project elements go into the project. We are planning to have a meeting in December. I will let the committee know the date. This meeting will be a staff-level meeting. It came up at the Infrastructure Committee meeting that committee members may want to attend, but it's not an organized public presentation meeting.

Public Comment:

Cheryl McDowell: Is solar involved in the PG&E program?

Mr. Gresens responded no.

Committee member Rice said PG&E probably doesn't talk about it because it reduces their revenue if people go solar, but it would reduce power lines that can spark and ignite a fire.

Public Comment:

Harry Farmer: When will you know the meeting date and when will the committees know?

Mr. Gresens said I hope to know in a week. I will email the committees. I assume you want to attend?

Public Comment:

Harry Farmer: Yes.

Vice Chair Siegler said the IRWM grant has a September 2019 deadline for the Board to pass a resolution committing \$700,000?

Mr. Gresens responded yes.

Vice Chair Siegler asked how long from that time until grant is awarded?

Mr. Gresens responded six to eight months.

Vice Chair Siegler said we will have a loan out during that time but stop paying interest once the grants are made. If there's no grant, there's no need to have that \$700,000 loan outstanding.

Mr. Gresens said he has to check to see if we have to have loan in hand.

Vice Chair Siegler said he assumes we need loan to show cash and our commitment. Either we don't get a grant and won't need the loan, or we get a grant and decide if we're going to fund the local match through cash flow or the outstanding loan. We really only have six to eight months where we would be carrying a loan without a result in our hands, right?

Mr. Gresens responded I don't know.

Vice Chair Siegler said when we get the loan, we put it in the bank and get interest for six to eight months and one of two things will happen: we get a grant and can do the project or we don't get a grant.

Public Comment:

Cheryl McDowell: Are there other loans the CCSD could qualify for?

Chairman Pierson said let's see what financing PG&E has.

Public Comment:

Cheryl McDowell: Are there SBA loans anymore?

Chairman Pierson said we're a government agency, not a small business.

Committee member Lee said until we know how the pieces fit, what are you asking us to do today?

Mr. Gresens said this is informational only and no action is needed. I wanted the committee to know what I've been working on and we need to be thinking about financing.

Chairman Pierson said it is a good time to have the information before the next budget cycle starts.

Committee member Lee said it makes sense. We appreciate your work.

Chairman Pierson said we need to get a resolution before the Board in the next two to three months.

Committee member Rice said right now they've extended the time for comments on the Board for IRWM. Go to State Department of Water Resources website for information about this. It's good general information and you can submit your comments.

Public Comment:

Mike Lyons: On Proposition 1, if the funds are allocated and awarded and the remedial stuff is done to the wastewater treatment plan, will it have beneficial effects on the SWF?

Mr. Gresens responded it will be a benefit to the lagoon.

Public Comment:

Mike Lyons: You're not saying it wouldn't benefit the plant directly?

Mr. Gresens responded that it could affect nitrate levels.

Public Comment:

Mike Lyons: There's \$7 million left allocated but not released. Will we have to meet ACE requirements first before they will give us money?

Mr. Gresens responded yes. They will want an updated project management plan and to run it by their legal counsel.

Public Comment:

Mike Lyons: If we don't get the \$7 million dollars, will we need to remedy problems to get certification?

Mr. Gresens responded that we can still run the plant, but it could be more costly.

Public Comment:

Jim Bahringer: ACE wants to build stuff, they don't want to look at a study. You need to convince ACE that the project can get done.

Cheryl McDowell: With Bob departing, how are things being followed up on?

Chairman Pierson responded you will have to ask Personnel. It's not a finance issue.

Committee member Rice stated it's not a Personnel issue but more of a transferring of duties.

D. Discussion Regarding the CCSD Owned Vehicle Policy

Chairman Pierson said this was an issue that Paul Nugent wanted to discuss, but since he's not here let's table it until next meeting.

Vice Chair Siegler said \$1.50 per trip seems too high.

Mrs. Duffield responded that it's an IRS rule at that amount. She has the printed copy of the rule if anyone wants to look at it.

E. Discussion and Status on the Mid-Year Budget Review Format

Mrs. Duffield provided an update on the mid-year budget review format and stated she's slowly working on the budget. The format they're following is taking the budget already approved and adding data into that budget to show the mid-year request.

The committee discussed the mid-year budget review format and asked questions.

Committee member Rice asked if there would be a difference column?

Mrs. Duffield said she could put that in there. She will show a point of reference between the original and what was changed.

Chairman Pierson asked are we going to get an update on what spent so far?

Mrs. Duffield said it depends on when the February Board meeting will be, so we can pull the data.

Chairman Pierson said they only need the numbers through December.

Mrs. Duffield said okay. She explained that she's currently working on delinquent accounts with the clerk and trying to get accounts payables caught up. She's hoping the backlog is gone by the end of December.

Chairman Pierson said that at the January committee meeting they would like to see or discuss some of the major things you're foreseeing. The current loan repayment that passed has the wastewater plant fund starting to repay that \$466,000 in June, so it needs to be in this year's budget. It's been discussed that the payment could be put off for a year.

Mrs. Duffield said she will need direction.

Chairman Pierson said for her to bring it up at the January meeting, and we will give you guidance.

Mrs. Duffield said we've also talked about the interest percent on the loan.

Vice Chair Siegler said we don't need to make that decision now. January would be a good time to raise any issues that you need guidance on.

Mrs. Duffield said we also need to think about the Finance and Infrastructure Committee meeting schedules.

Public Comment:

Karen Dean: The Infrastructure Committee would like to meet one week before the Board meeting and have the Finance Committee meet one week after the Board meeting.

Mrs. Duffield said we need to think about that because that schedule won't work for the budget process.

Committee member Lee said staff needs time to put the agenda packets together.

Committee member Rice said when the Board discusses restructuring in January, we'll be able to clarify issues on timing.

F. Receive an Update on the Audit

Mrs. Duffield said the auditor was at the office yesterday. He did a little bit of initial field work, but he wants to give me two additional weeks to get bank reconciliations updated so he can come in and look at a good trial balance. The bank reconciliations weren't done since July 2017. The former finance manager contracted with MOMS to do the reconciliations, but it wasn't done in totality. They didn't fix any reconciling items. Reconciling items were put into a suspense account that I need to follow up on and clear. The auditor wants them updated through August and I've done January through March so far. He'll be back mid-December. The auditor also wants to confirm that the adjusting journal entries he requested from the former finance manager were done.

Vice Chair Siegler asked do you have enough horse power to get everything done?

Chairman Pierson asked is Alan working?

Mrs. Duffield said yes, two days a week. He's currently doing the higher-level background accounting and year-end accruals. I have new staff in utility billing and payroll. I've been stuck working in operations and policy.

Public Comment:

Cheryl McDowell: Are you current with all depository receipts and payroll?

Mrs. Duffield responded yes. Accounts payable is behind. The auditor was pleased he could have a conversation with me. He said he didn't have much conversations with the former finance manager.

Vice Chair Siegler said thanked Pam for updating the committee on where she stands. We didn't know how far behind things were.

Mrs. Duffield said staff is working hard to get up to speed.

4. FUTURE AGENDA ITEMS

The committee would like to add the following items to the next agenda:

1. Committee restructure
2. Vehicle item postponed from today
3. \$466,000 loan repayment
4. Critical budget items

The committee stated the next meeting will be on Thursday, January 10, 2019, at 10:00 a.m.

5. ADJOURN

Chairman Pierson adjourned the meeting at 12:00 p.m.

DRAFT

ITEM 3.C – UPDATE ON GRANTS

NOVEMBER 29, 2018 CCSD FINANCE COMMITTEE MEETING

DISTRICT HAS THREE POTENTIAL OUTSIDE FUNDING SOURCES THAT ARE ACTIVE

- AN EXISTING FEDERAL WATER RESOURCES DEVELOPMENT ACT (WRDA) GRANT
- AN APPLICATION TOWARDS INTEGRATED REGIONAL WATER MANAGEMENT (IRWM), CALIFORNIA PROPOSITION 1 GRANT
- PRELIMINARY EFFORTS TOWARDS A PG&E SUSTAINABLE SOLUTIONS TURNKEY PROGRAM PROJECT

FEDERAL WATER RESOURCES DEVELOPMENT ACT (WRDA) GRANT

- MARCH 30, 2001 & MARCH 21, 2002 – CCSD BOARD AUTHORIZED LETTERS TO CONGRESSWOMAN CAPPS' OFFICE REQUESTING FUNDING FOR DISTRICT'S DESALINATION PROJECT
- FEDERAL AUTHORIZATION FOLLOWED VIA THE WATER RESOURCES DEVELOPMENT ACT, WHICH IS A 75% FEDERAL & 25% LOCAL SHARE GRANT ADMINISTERED BY THE US ARMY CORPS.
 - CAMBRIA CSD RECEIVED A \$10.3 MILLION FEDERAL AUTHORIZATION (75% OF PROPOSED \$13.7 MILLION PROJECT)
 - CAMBRIA CSD SUBSEQUENTLY OBTAINED LOCAL SHARE CREDIT OF \$3,000,000 FROM PAST PROJECT EXPENDITURES
 - A KEY WORK PRODUCT INCLUDED THE NOVEMBER 27, 2013 CAMBRIA WATER SUPPLY ALTERNATIVES ENGINEERING TECHNICAL MEMORANDUM

CONTINUED ON NEXT SLIDE

FEDERAL WATER RESOURCES DEVELOPMENT ACT (WRDA) GRANT -CONTINUED

- THE 2013 ALTERNATIVES REPORT (WHICH INCLUDED FACILITATED PUBLIC WORKSHOPS) FOUND THE BRACKISH WATER SUPPLY ALTERNATIVE TO BE THE MOST TECHNICALLY FEASIBLE.
- FOLLOWING COMPLETION OF THE 2013 REPORT, THE CCSD'S RESOURCES WERE DIVERTED TO THE WATER SUPPLY EMERGENCY BROUGHT ON BY THE SEVERE DROUGHT
- THE CCSD USED THE 2013 REPORT AS A SPRINGBOARD IN DEVELOPING THE SUSTAINABLE WATER FACILITY PROJECT (AKA EMERGENCY WATER SUPPLY PROJECT), WHICH WAS FURTHER SIMPLIFIED AND REDUCED IN SCOPE WHEN COMPARED TO THE 2013 ALTERNATIVE
- APPROXIMATELY \$7 MILLION REMAINS UNEXPENDED FROM THE ORIGINAL GRANT

CONTINUED ON NEXT SLIDE

FEDERAL WATER RESOURCES DEVELOPMENT ACT (WRDA) GRANT -CONTINUED

- GRANT HAS BEEN IN A SUSPENDED STATE & WILL NEED AN UPDATED PROJECT MANAGEMENT PLAN & RELATED ACE/CCSD EFFORTS TO RESTART WORK
- OPPORTUNITIES MAY EXIST FOR IMPROVING UPON THE SWF, FOR EXAMPLE;
 - REDUCING AND ADDRESSING DISPOSAL OF REVERSE OSMOSIS REJECT WATER
 - SOLAR ARRAY
- BECAUSE AUTHORIZATIONS ARE NOT FUNDING APPROPRIATIONS, THE CCSD WOULD NEED TO WORK CLOSELY WITH ACE TO MAKE SURE THE PROJECT IS INCLUDED IN THE ANNUAL ACE BUDGETING/APPROPRIATION PROCESS.

INTEGRATED REGIONAL WATER MANAGEMENT (IRWM), CALIFORNIA PROPOSITION 1 GRANT

- GRANT IS SUBJECT TO BEING UNDER THE COUNTY-WIDE INTEGRATED REGIONAL WATER MANAGEMENT (IRWM) PROGRAM. (THE CCSD PREVIOUSLY AGREED TO BE PART OF THE IRWM VIA AN MOU.)
- SLO COUNTY IS THE LEAD IN APPLYING TO THE STATE FOR THE PROP 1 IRWM GRANT FUNDING
- GRANT FUNDING VIA IRWM IS TYPICALLY SUMMARIZED DURING THE COUNTY'S MONTHLY WATER RESOURCE ADVISORY COMMITTEE (WRAC) MEETINGS. MORE DETAILED DISCUSSIONS & UPDATES OCCUR DURING PERIODIC REGIONAL WATER MANAGEMENT GROUP (RWMG) MEETINGS
- BECAUSE THE FINAL PROPOSAL SOLICITATION PACKAGE FOR PROP 1 IS NOT EXPECTED TO BE RELEASED UNTIL THE SPRING, THE NEXT RWMG MEETING HAS BEEN POSTPONED TO FEBRUARY 2019. THESE MEETINGS TYPICALLY START AT 10 AM AT THE SLO PUBLIC LIBRARY AND OCCUR BEFORE THE REGULAR WRAC MEETING THAT STARTS AT 1:30 PM. THE WRAC MEETS THE FIRST WEDNESDAY OF THE MONTH.
- IF SUCCESSFUL, THE CURRENT PROP 1 GRANT WOULD BE BASED ON 50% STATE FUNDING AND 50% LOCAL FUNDING

CONTINUED ON NEXT SLIDE

INTEGRATED REGIONAL WATER MANAGEMENT (IRWM), CALIFORNIA PROPOSITION 1 GRANT - CONTINUED

- THE STATE ALLOCATED PROP 1 FUNDS BY AREAS WITHIN THE STATE.
- THERE ARE TWO PLANNED ROUNDS FOR THE STATE ALLOCATED FUNDS; ROUND 1 AWARDS ARE ESTIMATED TO OCCUR DURING 2019, WHILE ROUND 2 AWARDS WOULD OCCUR DURING 2020.
- APPROXIMATELY \$2.9 MILLION IS ESTIMATED TO BE AVAILABLE COUNTYWIDE PER EACH GRANT ROUND FOR PROJECTS SUCH AS THE ONE SUBMITTED BY THE CCSD.
- THE CURRENT ROUND OF PROP 1 FUNDING REQUIRED SUBMITTING A PROJECT SUMMARY BY MAY 23, 2017 TO COUNTY PUBLIC WORKS, WHICH CCSD STAFF COMPLETED. AN UPDATED PROJECT SUMMARY AND RANKING WAS DUE TO THE COUNTY BY AUGUST 31, 2018, WHICH CCSD STAFF COMPLETED
 - THE CCSD SUBMITTED A PROPOSED WASTEWATER PROJECT ENTITLED “WWTP NUTRIENT REMOVAL AND EFFICIENCY IMPROVEMENTS.”
 - TO IMPROVE COMPETITIVENESS FOR LIMITED GRANT FUNDS, AND DUE TO UNKNOWNNS OVER THE RATE SETTING PROCESS AT THE TIME, THE PROJECT WAS REDUCED IN SCOPE FROM AN ORIGINAL \$3 MILLION ESTIMATE TO A \$1.4 MILLION ESTIMATE.
- A SUPPORTING CCSD BOARD RESOLUTION IS NEEDED AS PART OF THE COUNTY’S FINAL ROUND 1 GRANT APPLICATION TO THE STATE, WHICH IS ESTIMATED TO OCCUR DURING SEPTEMBER 2019.

CONTINUED ON NEXT SLIDE

INTEGRATED REGIONAL WATER MANAGEMENT (IRWM), CALIFORNIA PROPOSITION 1 GRANT - CONTINUED

- THE PROPOSED \$1.4 MILLION PROP 1 PROJECT CONSISTED OF THE FOLLOWING:

| Item | Estimated Cost | Reference | Comment |
|--|----------------|---|---|
| WWTP Secondary Improvements | \$930,000 | Engineering Estimate of the November 2014 Engineering Technical Memorandum #1, Carollo Engineers | Construction cost only |
| 35 % mark-up for engineering, legal, & administration | \$325,500 | (Ditto above) | |
| Subtotal | \$1,255,500 | | |
| Cost for Power Conditioning Module | \$36,105 | 8/24/2018 Quote from supplier (Elspec) | Equipment only |
| Estimated installation cost for conditioning module | 25,000 | Not bid to date. | CCSD District Engineer R. Gresens preliminary estimate |
| Estimated installed cost for new incoming power switch between PG&E provided transformer and existing main motor control center. | \$75,000 | Not bid to date. Based in part on comments received during 7/16/2018 walk through with MKN electrical engineer that implied the switch could be separate and apart from the main MCC. | CCSD District Engineer R. Gresens preliminary estimate. |
| Total Project Estimate | \$1,391,605 | | |
| Rounded Estimate | \$1,400,000 | | |

Continued on next slide

INTEGRATED REGIONAL WATER MANAGEMENT (IRWM), CALIFORNIA PROPOSITION 1 GRANT - CONTINUED

- THE \$1.4 MILLION TOTAL WILL REQUIRE A 50% LOCAL MATCH OF \$700,000
- IT WAS NOTED THAT A \$700,000, 20-YEAR STATE REVOLVING FUND LOAN AT A 3% ANNUAL INTEREST RATE WOULD BE LESS THAN \$50,000 PER YEAR
- TO DATE, ADDITIONAL DISCUSSION WITH THE FINANCE COMMITTEE IS NEEDED TO FURTHER INTEGRATE LOCAL SHARE FUNDING WITH THE CIP PROGRAM AS WELL AS THE PROPOSED PG&E TURNKEY PROGRAM (SEE SLIDES THAT FOLLOW).

PG&E SUSTAINABLE SOLUTIONS TURNKEY PROGRAM PROJECT

- THIS APPROACH WAS PREVIOUSLY DISCUSSED WITH THE INFRASTRUCTURE COMMITTEE ON MAY 30, 2018.
- THE PG&E TURNKEY APPROACH USES DESIGN-BUILD CONTRACTING.
- PG&E CAN ALSO PROVIDE/ARRANGE FOR PROJECT FUNDING VIA ON-BILL FINANCING (ENERGY SAVINGS FROM PROJECT USED TO OFFSET CAPITALIZED PROJECT COSTS), AS WELL AS VARIOUS COMBINATIONS OF REBATES, LOANS, AND GRANTS.
- PG&E IS CURRENTLY WORKING ON A FEASIBILITY ASSESSMENT WITH THEIR ENGINEERING CONSULTANT.
- THE FEASIBILITY ASSESSMENT WILL HELP DETERMINE THE PROJECT ELEMENTS AND SCOPE OF THE PROJECT TO BE PURSUED.

CONTINUED ON NEXT SLIDE

PG&E SUSTAINABLE SOLUTIONS TURNKEY PROGRAM PROJECT

- TO DATE, A DECEMBER 2018 MEETING IS TO BE SCHEDULED TO DISCUSS THEIR INITIAL WORK EFFORTS ON THE FEASIBILITY ASSESSMENT.
- FURTHER INTEGRATION WITH ONGOING PROP 1 GRANT APPLICATION WILL LIKELY BE NEEDED.
- FURTHER DISCUSSIONS ALONG WITH UPDATES TO THE INFRASTRUCTURE AND FINANCE COMMITTEES WILL BE NEEDED.
- FOLLOWING THE FEASIBILITY ASSESSMENT, A DECISION POINT WILL BE REACHED WHERE PG&E WILL REQUIRE AN AGREEMENT WITH A FINANCIAL COMMITMENT FROM THE CCSD.

Reserve Policy

PURPOSE:

Maintain reserve funds from existing unrestricted funds. This policy establishes policy and practices in the use of reserve funds and establishes reserve funding levels to address these specific goals for the applicable Enterprise and General Funds.

- A. Fund replacement and major repairs for the districts physical assets
- B. Fund replacement and upgrade of communications equipment
- C. Fund regular upgrade or replacement of computer hardware, software and other technology assets
- D. Working capital (Operating Reserve) funds for normal operation where timing of tax dollar receipts from the county create a funding shortfall.
- E. Fund, or supplement, previously unplanned/unbudgeted Capital Improvements which are needed
- F. Fund special projects/programs or other special uses not otherwise funded by grants or where additional monetary support is required.
- G. Maintain base for operational response to unplanned events, catastrophic equipment failure or emergency maintenance needs.
- H. Maintain base for unforeseen liabilities, including response requirements to Local and State Agencies

GENERAL:

- A. Use of district reserves is limited to available "unrestricted" funds (not obligated by law, contract or agreement.)
- B. Reserve Fund applications requiring authorization by a board majority:
All other funds not defined by Item C, under _____ General, as well as applications which would fully deplete any given fund.
- C. Reserve Fund applications that can be authorized by the General Manager:
 - (1) Use of the Operating Reserve Funds can be authorized by the General Manager. Operating Reserve funds may be used to fund normal or recurrent annual expenditures in the General Fund when budgeted taxes have not yet been received during a fiscal year. These funds will be replenished when the taxes are received.
 - (2) Application of emergency funds up to \$_____ will be communicated to board members at time of application. Funding required above that threshold will require board approval within ten (10) days of application request.
- D. The District General Manager is authorized to make recommendations to the District Board of Directors for use of reserves. Any recommendation shall be accompanied by a proposal for the replenishment of the reserves.
- E. The General Manager, in collaboration with the Finance Manager and the standing Finance Subcommittee shall perform a reserve status semi-annually, with alignment to the annual deliberation/approval of FY Budget and Reserve Funds by the Board of Directors. The Board of Directors may, at any time, make changes to this policy to reflect current CCSD operations.

Fund Associations:

The following Reserve requirements are identified and defined by association, monetary threshold and application.

- 1) **Water Enterprise**
Sinking Fund
Min \$_____ Max \$_____

The Sinking Fund will be accrued to pay for future upgrades, improvements, and major repairs to any depreciated asset. The fund may be used as matching funds to secure grants or loans to make such expenditures.

Emergency Response Reserves Min \$_____ Max \$_____

Emergency reserves are set aside for use in a major emergency or system failure not budgeted or in the CIP. Emergency may be activated by a catastrophic event (i.e. earthquake) or by a major system failure (i.e. major water main break, well failure).

Designated Project/Special Use Reserves Min\$_____ Max \$_____

Projects, programs or special uses will be identified by the General Manager and/or the Board of Directors and approved by the Board. Projects may include but are not limited to actions such as response to state regulatory requests or requirements. Uses must further the mission of the district and will be based on the significance to the district and the ratepayers.

- 2) **Wastewater Enterprise**
Sinking Fund
Min \$_____ Max \$_____

Vehicle Fleet Reserve. Vehicle Fleet Reserves will be used exclusively for the purchase of new vehicles to support District operations or to make major repairs to existing vehicles.

Technology Reserve. Technology Reserves will be used to purchase (including upgrade) hardware and software in support of district operations with the intent of maintaining modern technology for efficiency and safety.

Capital Improvement Reserve. Capital Improvement Reserves shall be limited to applications related to making changes to improve capital assets, increase their useful life, or add to the value of those assets. These applications are exclusive to asset acquisition identified in the Capital Improvement Plan (CIP).

Designated Project/Special Use Reserves Min\$_____ Max \$_____

Projects, programs or special uses will be identified by the General Manager and/or the Board of Directors and approved by the Board. Projects may include but are not limited to actions such as response to state regulatory requests or requirements. Uses must further the mission of the district and will be based on the significance to the district and the ratepayers.

3) General Fund

Operating Reserve Min \$ _____ Max \$ _____

This reserve is considered a working capital reserve and will be used to fund normal or recurring operating expenditures in the General Fund when budgeted taxes have not yet been received during a fiscal year. The Operating Reserve will be replenished when the taxes are received. Application of emergency funds up to \$ _____ will be communicated to board members at time of application. Funding required above that threshold will require board approval within ten (10) days of application request.

Sinking Fund

Min \$ _____ Max \$ _____

Vehicle Fleet Reserve. Vehicle Fleet Reserves will be used exclusively for the purchase of new vehicles to support District operations or to make major repairs to existing vehicles.

Technology Reserve. Technology Reserves will be used to purchase (including upgrade) hardware and software in support of district operations with the intent of maintaining modern technology for efficiency and safety.

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1

Fist Full of Dollars: Reserve Policy and Understanding Risks

November 29, 2018

Presenter: Sanjay Gaur, Vice President



Agenda

- Overview of Financial and Reserve Policies
- Framework Development
 1. Risk Assessment for a Typical Retail Water Agency (City of “Waterville”)
 2. Evaluation of Financial Policies and Associated Financial Plan
 3. Sensitivity Analyses for Evaluated Financial Policies



Financial Challenges of Managing a Water / Wastewater System

A FINANCIAL MODEL CAN BE A TOOL TO NAVIGATE THROUGH THESE CHALLENGES

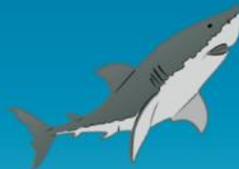
Properties of Utility System

- Capital intensive
- Highly fluctuating capital cost
- Unknown liability
- Increasing regulatory demand



Political Acceptance on Rates

- Rate stability
- Affordability
- Equity
- Environmental stewardship



Overview of Financial and Reserve Policies



Risk Assessment According to Donald Rumsfeld



Why Financial Planning?

Financial Sufficiency for the Short- and Long-Term

- Operating expenses
- Anticipated capital expenditures

Prepare for the Future

- Identify known facts and variables
- Anticipate unknowns and evaluate associated risks

Helps

- Minimize rate fluctuations from year to year



Overview of Financial Policies

Importance of Financial Policies:

- To maintain financial solvency
 - Provide a basis for coping with fiscal emergencies (revenue short-falls, asset failure, emergency etc ...)
- To provide guidelines for sound financial management with an overall long-range perspective
- To enhance financial management transparency
 - Improve public's confidence and elected officials' credibility



Overview of Financial Policies

Goals of Financial/Reserve Policies:

- To mitigate financial risk
 - Rate / revenue instability
 - Emergency with asset failure
 - Volatility in working capital
- To achieve/maintain a certain credit rating
- To determine most opportune time to issue debt



Financial Health Indicators

Healthy Reserves

- Operating Reserve – results from positive cash flow
- CIP Reserves – Can award contracts quickly and speed up projects if necessary
- Rate Stabilization – funds used during periods of revenue shortages
 - › Such as a drought
 - › Can use probability analysis to determine reserve levels
- Emergency – funds available in case of asset failure
 - › Critical asset replacement analysis used to set reserve level

Debt Coverage Ratio

- Exceed Official Statement requirements
- Achieve / Maintain good credit ratings
- If there is no debt, what is your debt capacity?
 - › How much debt are you able to issue with your current rates?



Credit Rating Criteria on Liquidity

- Liquidity

- › Unrestricted cash balances available to meet working capital needs
 - Unrestricted cash balances include all cash and investments dedicated for working capital, rate stabilization or R&R needs
- › Criteria – measured in Days Cash
 - Days Cash = Unrestricted balances / average daily O&M expenses for the year

| Rating | Days Cash on Hand |
|--------|-------------------|
| Aaa | > 250 days |
| Aa | 250 – 150 days |
| A | 149 – 35 days |
| Baa | 34 – 15 Days |



Types of Reserves

- Operations and Maintenance (O&M)
 - › Used to provide working capital to support the operation, maintenance and administration of the utility
 - › Timing of revenue and expense are critical
 - › Ex. 90 days (25%) of Operating Budget

- Rate Stabilization
 - › Used to smooth rate increases caused by decreasing sales or unexpected increases in operation cost
 - › Probability analysis to determine the appropriate reserve level



Types of Reserves

- Emergency
 - › Maintained to allow the utility to provide uninterrupted service in the event of a natural disaster or facility failure
 - › Critical asset assessment can provide guidance on the appropriate reserve level

- Capital Improvement Projects (CIP)
 - › Assists with cash flow requirement in funding capital projects and allows for timing adjustments
 - › Ex. % of total asset value



Framework Development

1. Risk Assessment for Typical Retail Water Agency
2. Evaluation of Financial Policies and Associated Financial Plan
3. Sensitivity Analyses for Evaluated Financial Policies



Risk Assessment Example of Retail Water Agency

City of “Waterville”

- **Current Issues and Challenges**

- › Waterville does not have a financial policy in place to mitigate risks and to cope with fiscal emergencies
- › Water demand has fallen significant in the last 10 years (more than 20 percent reduction) with potential further mandatory water curtailment during severe drought

- **Goals of the Study**

- › Develop and evaluate financial policy options to maintain long-term financial solvency
- › Assess risk profile of the financial policy options



Risk Assessment for “Waterville”

- **Recurring Revenues**

- › Water Sales (95% of total revenues)
 - Monthly service charges by meter size
 - Usage (or commodity) rates
- › Miscellaneous income: interest income, miscellaneous fees, etc.

- **Recurring Expenses**

- › Water supply costs: 100% imported water from wholesale water agency
- › Operating & maintenance costs
- › Capital R&R costs (non-growth related)



Risk Assessment for “Waterville”

- **Operating Reserve:**
 - › Cash flow requirement for operating expense
 - › Bill bi-monthly
 - Agency on averages get the revenue 120 days after a customer uses the water
 - › **Recommended Target Level**
 - 120 days (33%) of Operating Budget



Risk Assessment for “Waterville”

- **Rate Stabilization Reserve:**

- › Purpose:

- To mitigate the volatility in water supply costs and unexpected increases in other O&M costs

- › Potential Volatility / Risk:

- Water supply costs:
 - Max: 21%
 - 10-year average: 8%
 - 90th percentile: 15%

- › **Recommended Target Level**

- 8 – 15% of Total Revenues



Risk Assessment for “Waterville”

- **Capital and Emergency Reserve:**

- > Purpose:

- Working capital for annual CIP and for unforeseen capital needs (emergency)

- > **Recommended Target Level**

- Capital R&R: \$10M (2% of asset value)
 - Emergency: \$3M – \$7.4M (replacement cost of a pump station)



City of Waterville

Evaluated Financial Policy Options (\$25.8 M Operating Budget)

| | “Ideal” Financial Policy | “Practical” Financial Policy |
|--------------------|---------------------------|------------------------------|
| O&M Reserve | 120 days (\$5.7M) | 90 days (\$2.9M) |
| Rate Stab. Reserve | 15% Total Rev (\$2.7M) | 8% Total Revenues (\$1.5M) |
| Capital Reserve | 2% of asset value (\$10M) | 1% of asset value (\$5M) |
| Emergency Reserve | \$7.4M | \$3M |
| Days Cash Target | 365 days (\$25.8M) | 175 days (\$12.4M) |



Financial Impact

- To achieve the target days cash as set by the two financial policies, Waterville needs to increase water rates and issue new debt
- The table below shows the different rate increases and debt issuances

| Financial Plan | “Ideal” Financial Policy | “Practical” Financial Policy |
|-----------------|--------------------------------------|--|
| New Debt Issues | \$10M in FY 2018 \$14M in FY 2020 | \$10M in FY 2018 \$22M in FY 2020 \$22M in FY 2024 |
| Rate Increase | 8.5% per year (FY 2018 – FY 2027) | 5% per year (FY 2018 – FY 2027) |



What Do We Want to Achieve?

- **Rate Stability?**

- › The agency can minimize the impacts to its customers during difficult times

- Implication:

- Higher rates

- **Rate Minimization?**

- › The agency targets the lowest rates possible

- Implication:

- Higher likelihood of rate instability



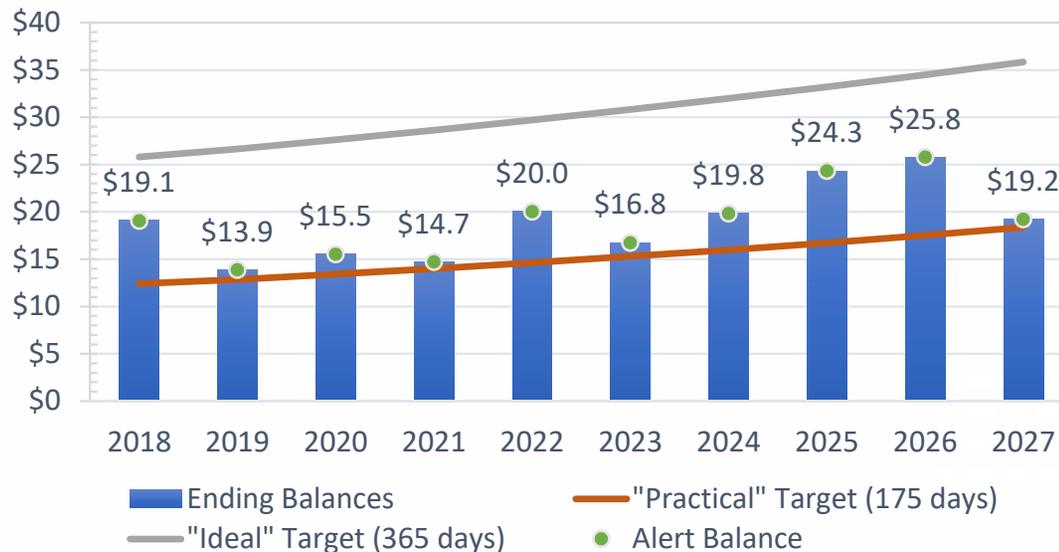
Risk Assessments

10 Percent Per Year Reduction in Demand in FY 2018 & FY 2019

- **Under “Ideal” Financial Policy**

- › Reserves are below ideal target but well above the 175 days cash target even with the drop in water demand
- › No additional rate increases necessary

Water Fund Ending Balances (\$ millions)

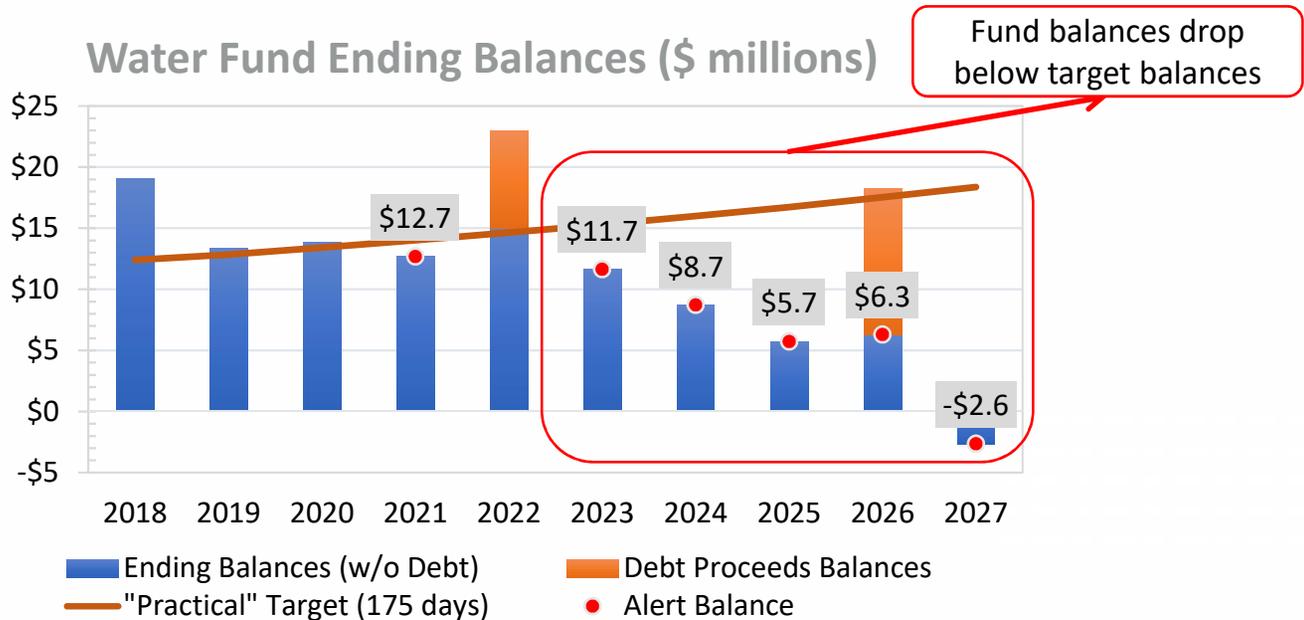


Risk Assessments

10 Percent Per Year Reduction in Demand in FY 2018 & FY 2019

- **Under “Practical” Financial Policy**

- › In order to maintain necessary and healthy fund balances, rates need to be raised higher than originally planned



Example Reserves Policy for Water Enterprise

| Agency | O&M | Capital | Emergency | Rate Stabilization |
|-----------------------------|--------------------------|--------------------------------------|-------------------------------|-----------------------|
| Thousand Oaks | 90 days (25% of O&M Exp) | 5% of asset value | Replacement cost of reservoir | None |
| Las Virgenes MWD | 90 days (25%) | Average CIP over 3 yrs | 2% of Asset Value | None |
| San Dieguito WD (Encinitas) | 60 days (16%) | 2X avg CIP over 5 yrs | None | 15% of annual revenue |
| Trabuco Canyon WD | 60 days (16%) | 100% of annual depreciation | None | 10% of revenue |
| Long Beach | 90 days (25%) | Rolling Average CIP from prior 3 yrs | None | 5% of vol revenue |



Presenter Contact Info



Sanjay Gaur, Vice President
Email: sgaur@raftelis.com



Mojave Water Agency

Presenter: Kathy Cortner



Reserves ACWA Fall Conference

Fall 2018



We're securing water for today and tomorrow...

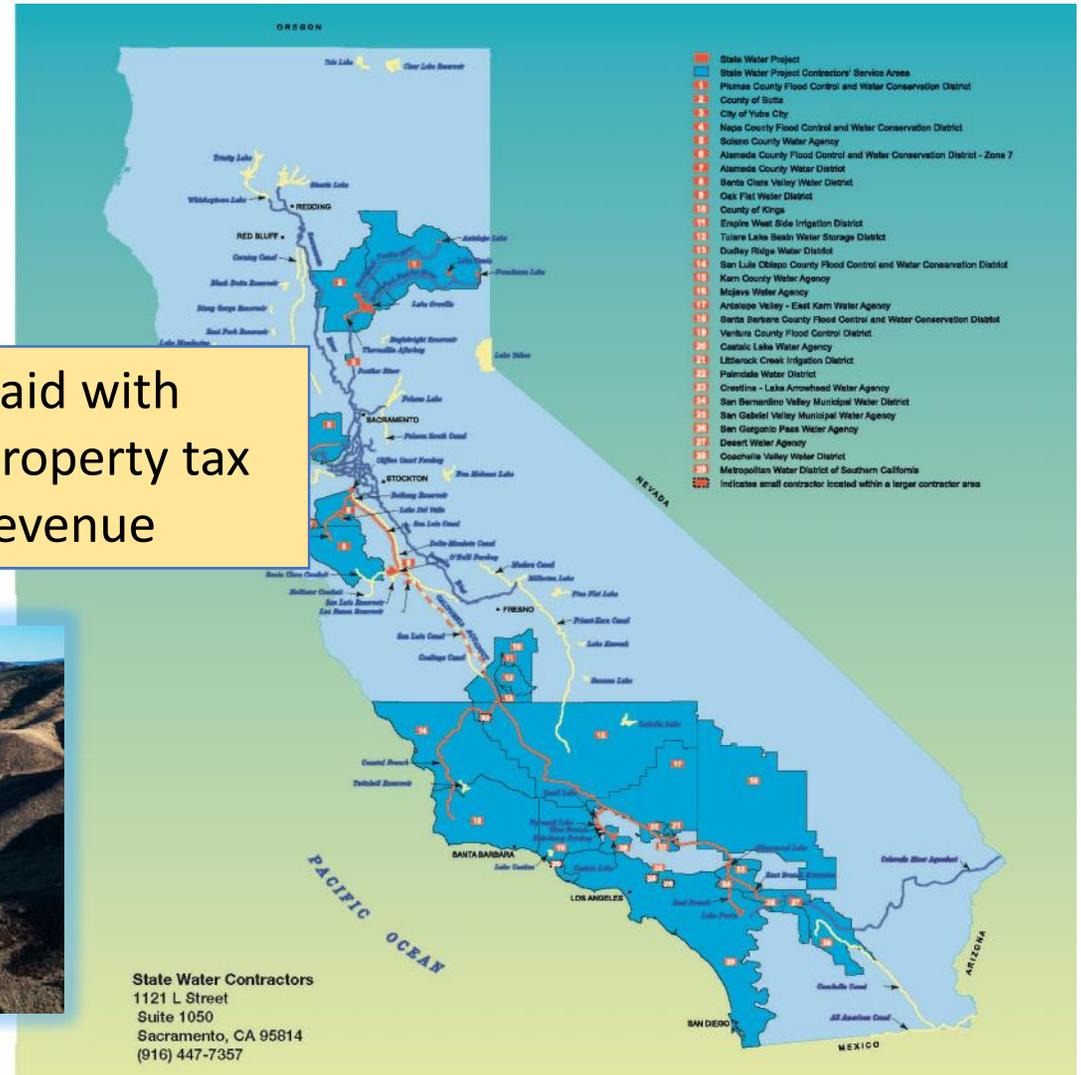
Presentation Outline

- Analyzing MWA financial risks
- Main areas of concern that emerged
- Applying the framework to address those concerns
- Results

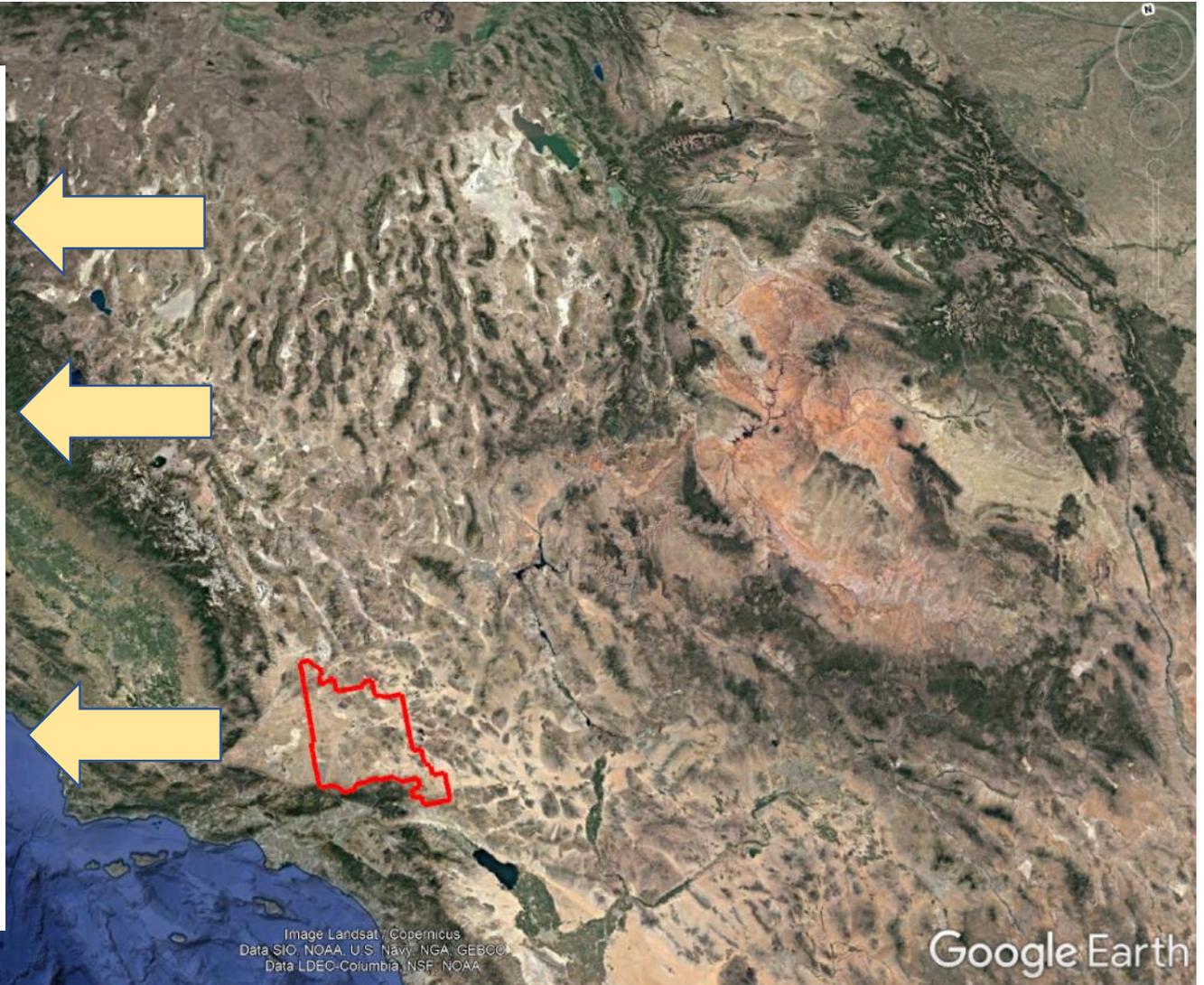
State Water Contractor

- SWP is largest budget line item @ 50%
- O&M and debt is balance

Paid with property tax revenue



- 4,900 square miles in earthquake territory
- 80% of revenue is tax levy, sensitive to economic conditions
- Remaining 20% derived mostly from water sales and other income

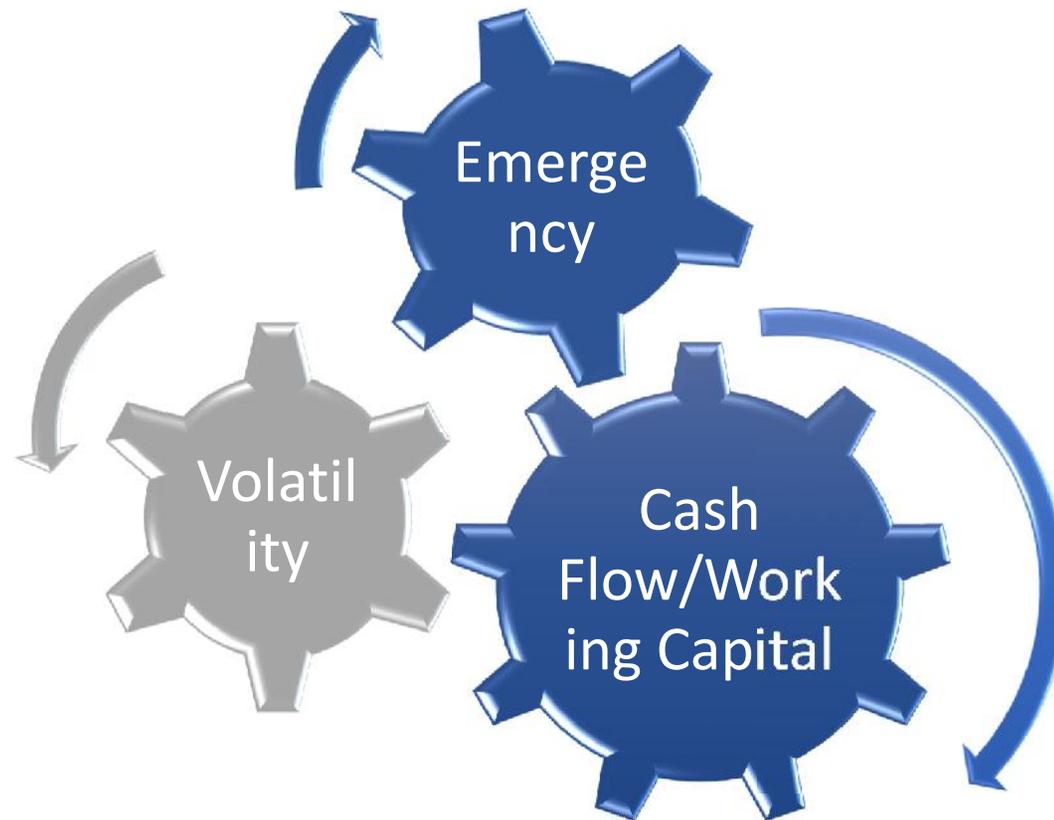


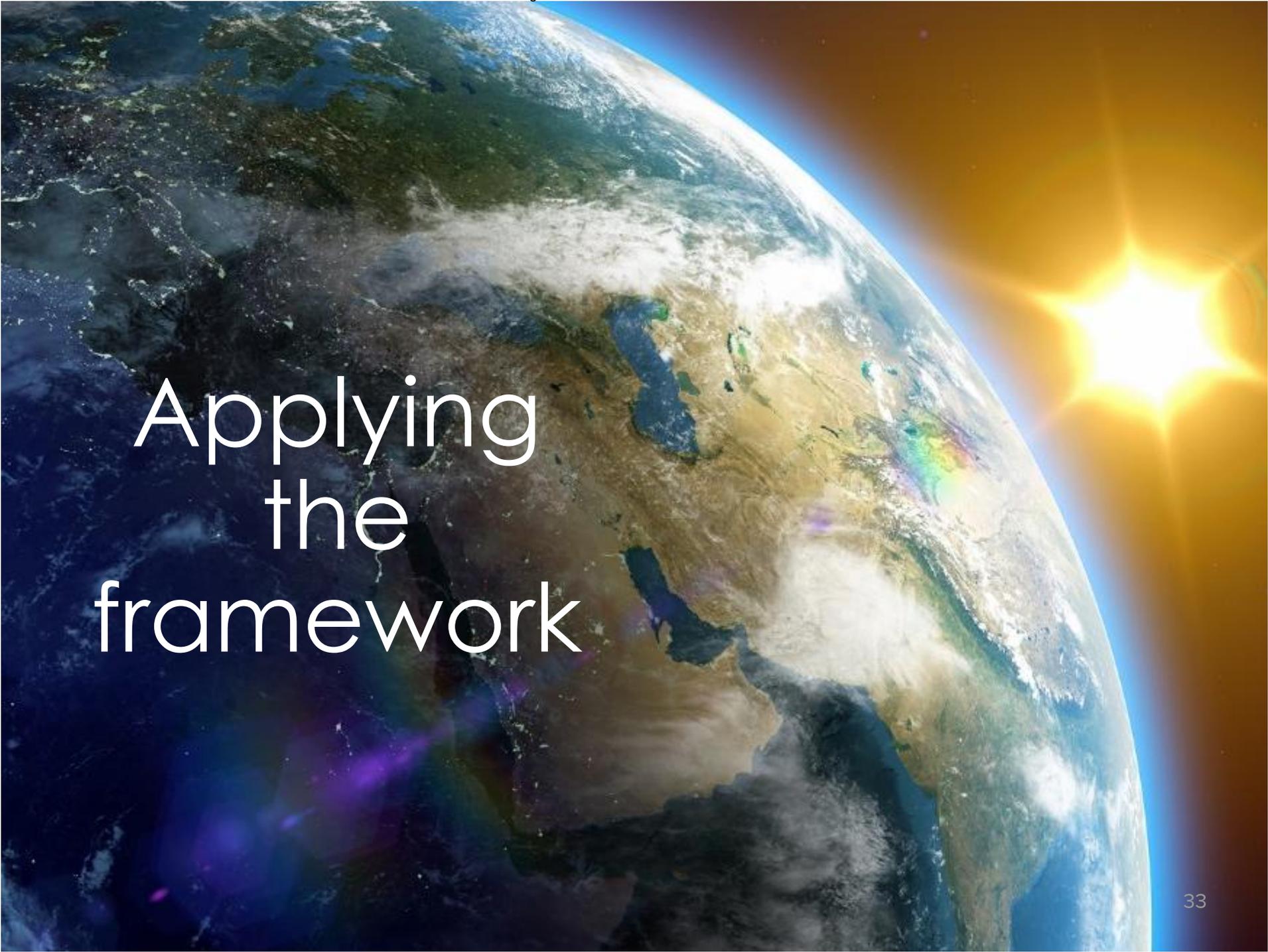
Mojave Water Agency does not have direct delivery, which provides flexibility

- Court appointed Watermaster
- Manage the groundwater basins through recharge
- Billing is once a year for Watermaster accounts
- Board policy to cap annual rate increases to 5%
- SWP Costs are variable



Three main areas of concern came out of the analysis



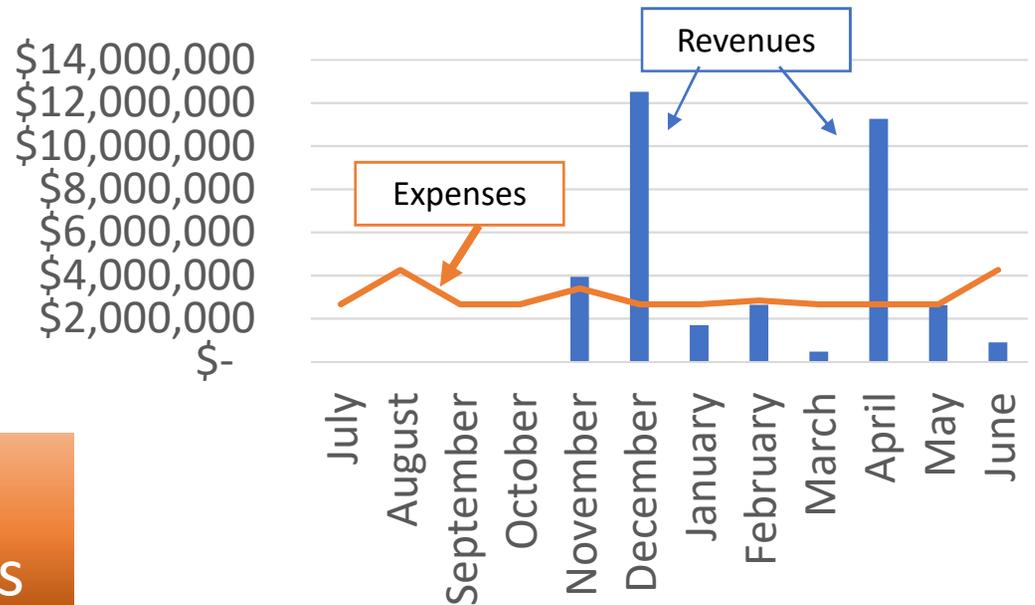


Applying the framework

Cash Flow/Working Capital

- **Operations & Maintenance Reserve**
- **Bond Reserve**
- **Cal WaterFix**

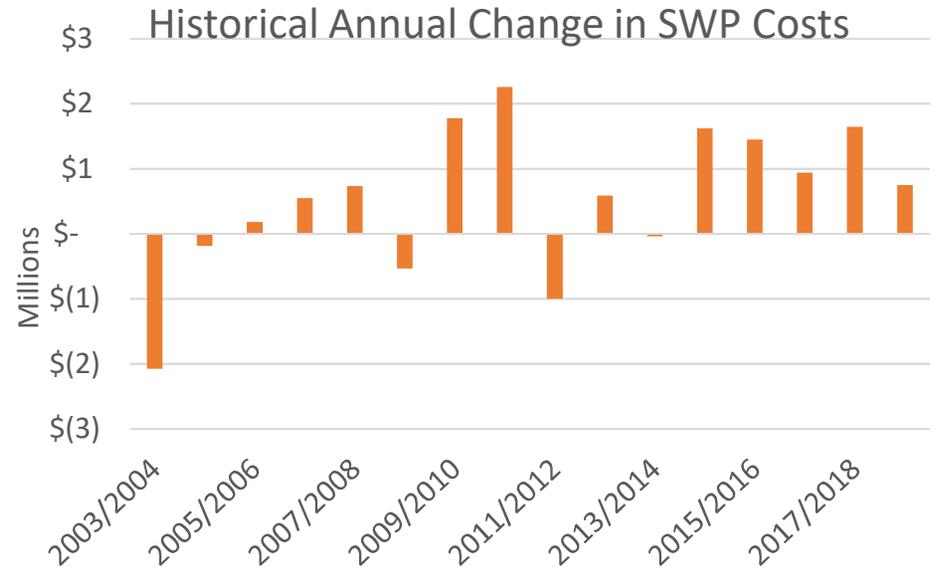
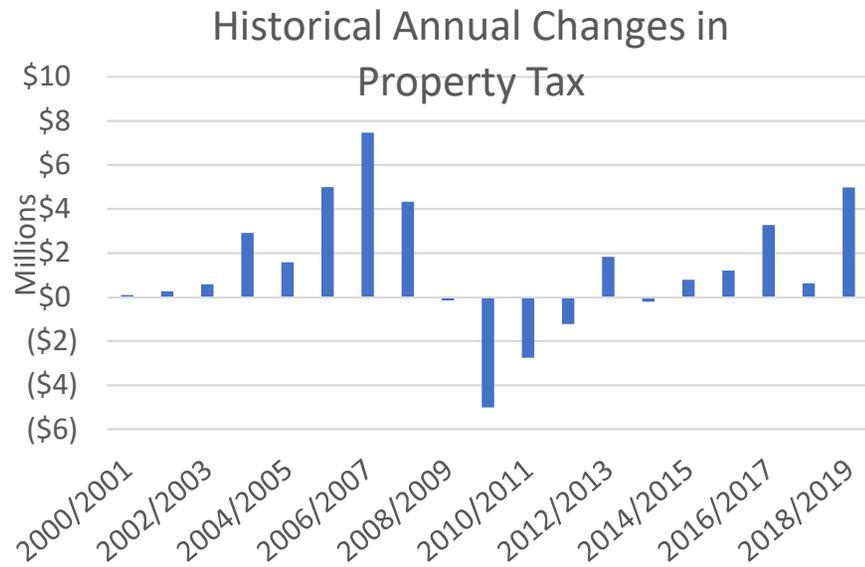
50% of expenses covers timing issue on revenues



\$27 million deemed to be appropriate level



Volatility and Economic Exposure



\$7.5 million deemed to be appropriate level



Emergency Preparedness/Contingency

- ❖ FEMA recommends minimum of 2% of assets, but you decide....
- ❖ “Rainy Day Fund”



\$12 million deemed to be appropriate level

The Result Is \$46.5 Million In Reserves

4% Emergency Capital Reserve, plus Contingency Reserve

Emergency/
Contingency
\$12m

63% Due to timing of cash Receipts vs expenditures

Variability
\$7.5m

16% As a risk mitigation Measure for volatility in revenues

Working
Capital/Cashflow
\$27m



Questions?

Together, we're securing water for today and tomorrow...



Contact Info



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Mojave Water Agency
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kcortner@mojavewater.org



Alameda County Water District

Presenter: Jonathan Wunderlich



Alameda County Water District

Financial Reserve Policies:

ACWD Case Study

ACWA Fall Conference

San Diego – November 29, 2018



Agenda

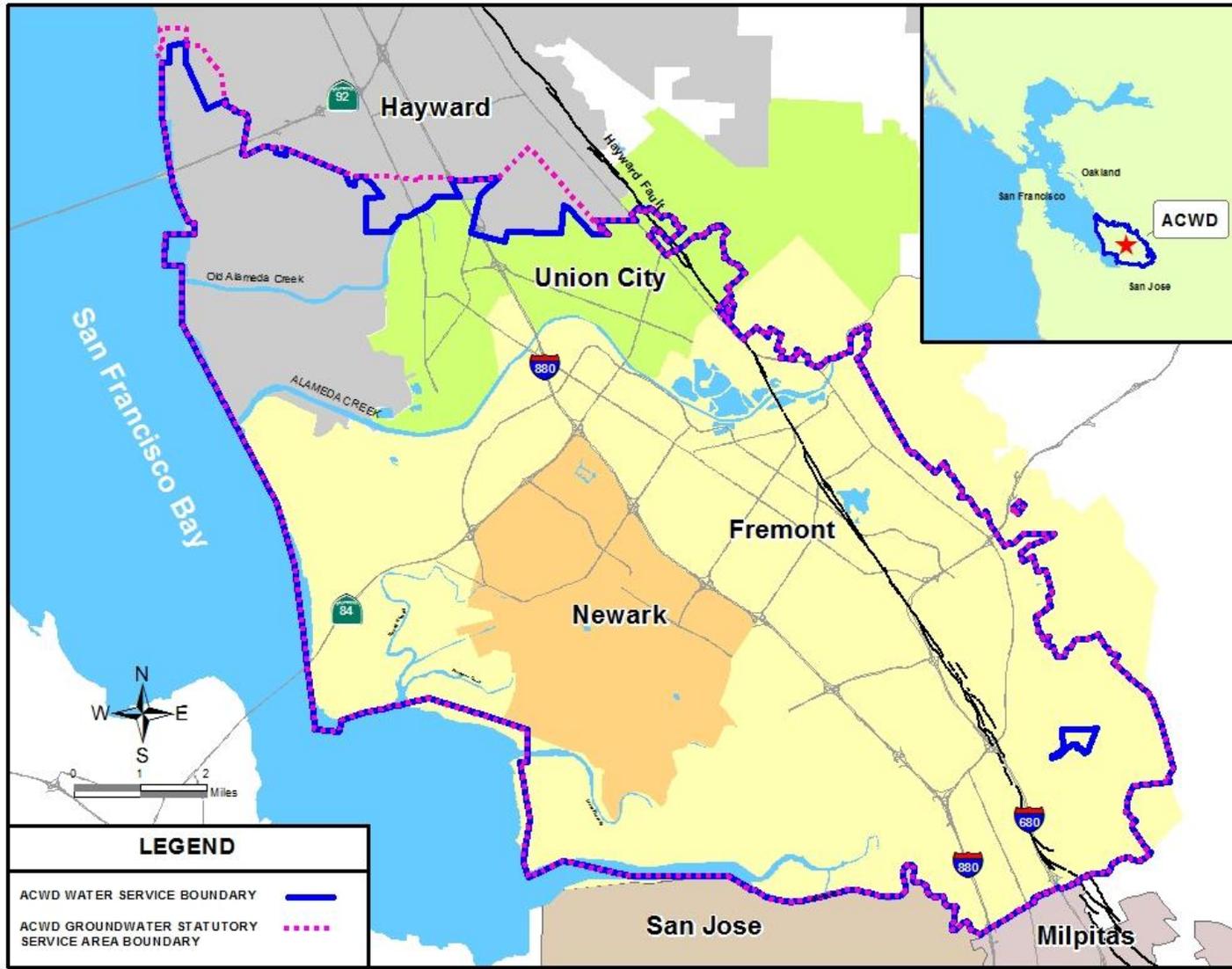
- Alameda County Water District (ACWD) overview
- Common types of reserves
- Case Study: ACWD's Reserve Policy



ACWD at-a-glance

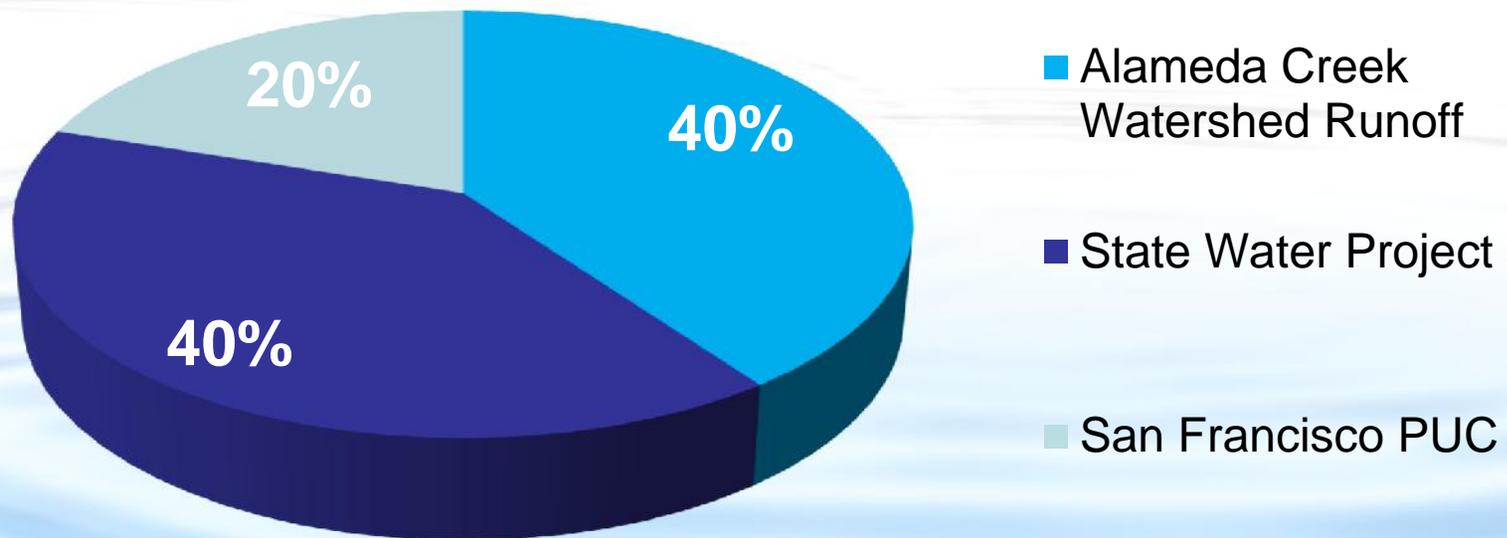
- Founded in 1914
- ACWD serves Fremont, Newark, and Union City
- Population: 356,000
- Connections: 84,000
- 5 Directors elected at large
- Personnel: 233 Authorized FTE Positions
- FY 2018/19 Budget
 - \$135M Total Expenditures
 - \$90M Operating Expenses
 - \$45M Capital & Debt Service
 - \$139M Total Revenues
 - \$111M Water Revenue
 - \$9M Property Tax
 - \$19M Development fees, customer reimbursements, grants, etc.
- Credit Ratings
 - Standard & Poor's: AAA
 - Moody's: Aa2

ACWD at-a-glance





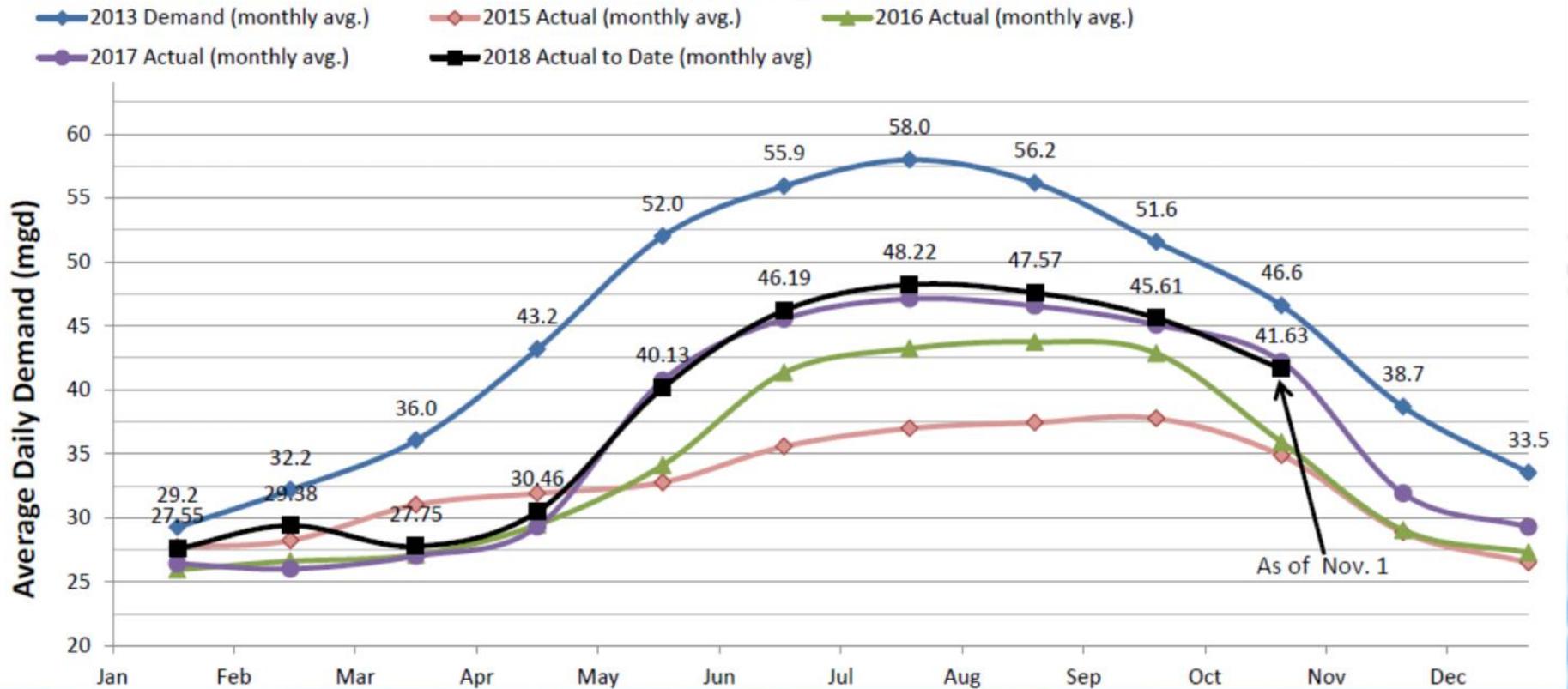
ACWD Water Supply Sources – Typical





ACWD Water Demands

ACWD Monthly Demands





Types of Reserves

- **Operating Reserve** – typically to provide cash flow for day-to-day operations
- **Rate Stabilization** – mitigates the need for large rate increases due to normal fluctuations in water sales
- **Capital** – similar to operating reserve and mitigates the impact of capital program cash flow variations
- **Emergency** – ensures funding to respond in the event of a critical facility failure or other emergency
- **Debt** – frequently required by bond covenants



ACWD Reserve Policy: Key Factors Considered

- Billing Frequency
 - Most accounts are billed bimonthly
- Cash Flow Needs
 - Higher capital expenditures in the summer
 - Annual debt service payment each June
 - CalPERS and OPEB Trust Fund payments each July
- Greater than 99% payment compliance



ACWD Reserve Policy: Key Factors Considered

- Rate Structure/Revenue Sources
 - About 80% of revenue from water bills
 - About 65% variable / 35% fixed; most variable revenue is considered reliable
 - About 7% of revenues from property taxes
 - Remaining 13% from development fees, grants, interest, and other miscellaneous sources
 - Do not currently have Water Shortage Emergency stage rates in place, but planned for the future
- Limited ability to reduce costs when water demands decline



ACWD Reserve Policy: Key Factors Considered

- Infrastructure Failure Risks
 - Hayward Fault runs through ACWD
 - Major pipeline failure(s)
- Water Supply Diversity and Costs
 - Significantly different costs for each source of supply
 - Cost of purchasing water during a drought



ACWD Reserve Policy: Reserve Levels

- Operating Reserve – set at 3 months of water revenues (\$27.9M)
 - Longer period than billing cycle, high payment compliance, and is sufficient to cover cash flow needs
- Rate Stabilization – set at 6 months of variable water sales (\$9.1M)
 - Variable water sales are low due to demand resetting in the drought
 - Considering stage rates to reduce volatility



ACWD Reserve Policy: Reserve Levels

- Capital – set at one year depreciation (\$13.1M)
 - Ensures adequate cash flow for swings in pay-go costs and should increase with time
- Emergency – set at \$10 million
 - The amount needed to purchase water during a year of adverse water conditions. Is also sufficient to address a critical facility failure, but not a large number of failures or major earthquake
- Debt – set at \$2.8 million as required by bond covenant



ACWD Reserve Totals

- Total: \$62.9 million
- Vary widely if we took a minimal or aggressive approach in each category:
 - \$31.4 million with minimal approach
 - \$114.3 million with aggressive approach



ACWD Reserve Policy: Lessons Learned

- Setting reserves at certain benchmarks will allow them to increase naturally and gradually
- Financing plans should be developed for natural disasters that exceed reasonable reserve fund levels
- Setting each reserve type at its minimum or maximum suggested amount will have a compounding affect
- Ideal reserve targets will vary by District – District's with lower cash flows or more volatile revenues may need relatively higher reserves, as two examples
- Districts should review their reserve policy regularly – such as during the budget process

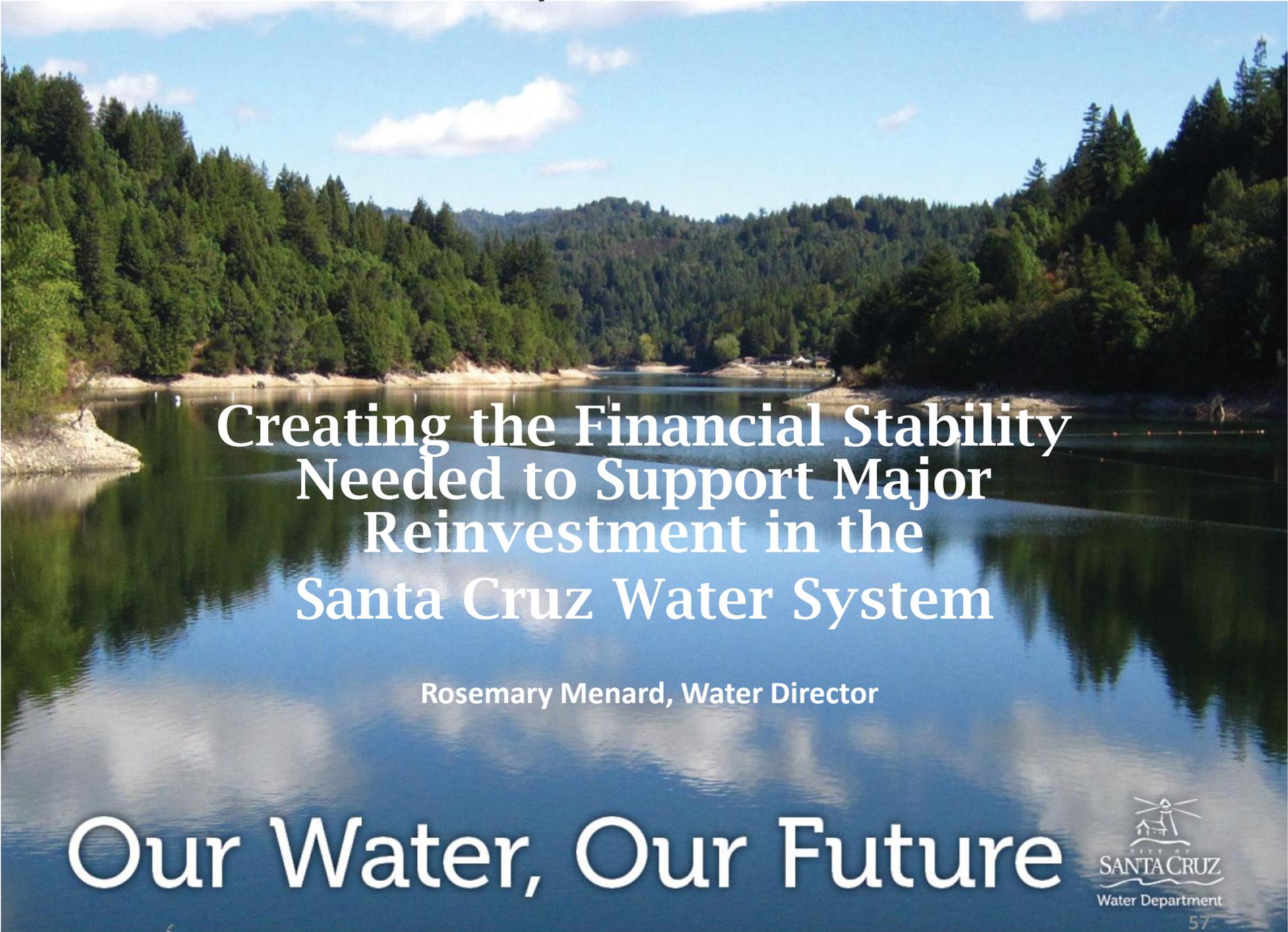


Thank you!

Jonathan Wunderlich
Alameda County Water District
jonathan.wunderlich@acwd.com

City of Santa Cruz

Presenter: Rosemary Menard



Creating the Financial Stability Needed to Support Major Reinvestment in the Santa Cruz Water System

Rosemary Menard, Water Director

Our Water, Our Future

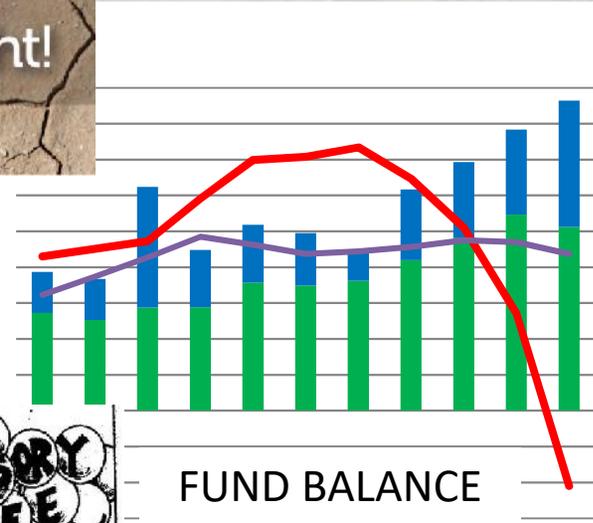


The Starting Point: Summer 2014

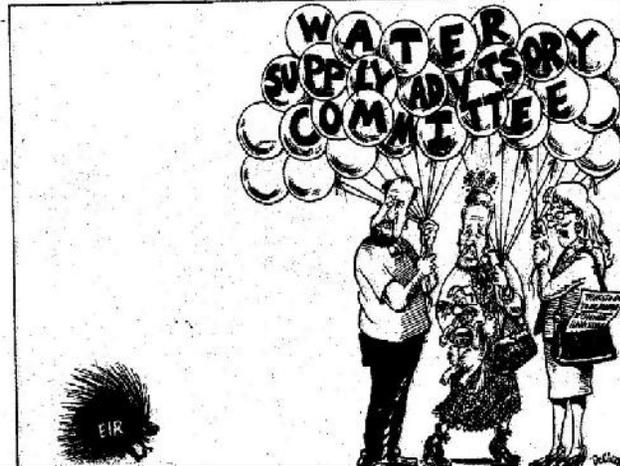
- No Water



- No Money



- No Plan



By Late 2015 we had...

- **Water** – Loch Lomond Reservoir was full again, at least for now;
- **A Plan** – A consensus agreement on water supply augmentation by the Water Supply Advisory Committee



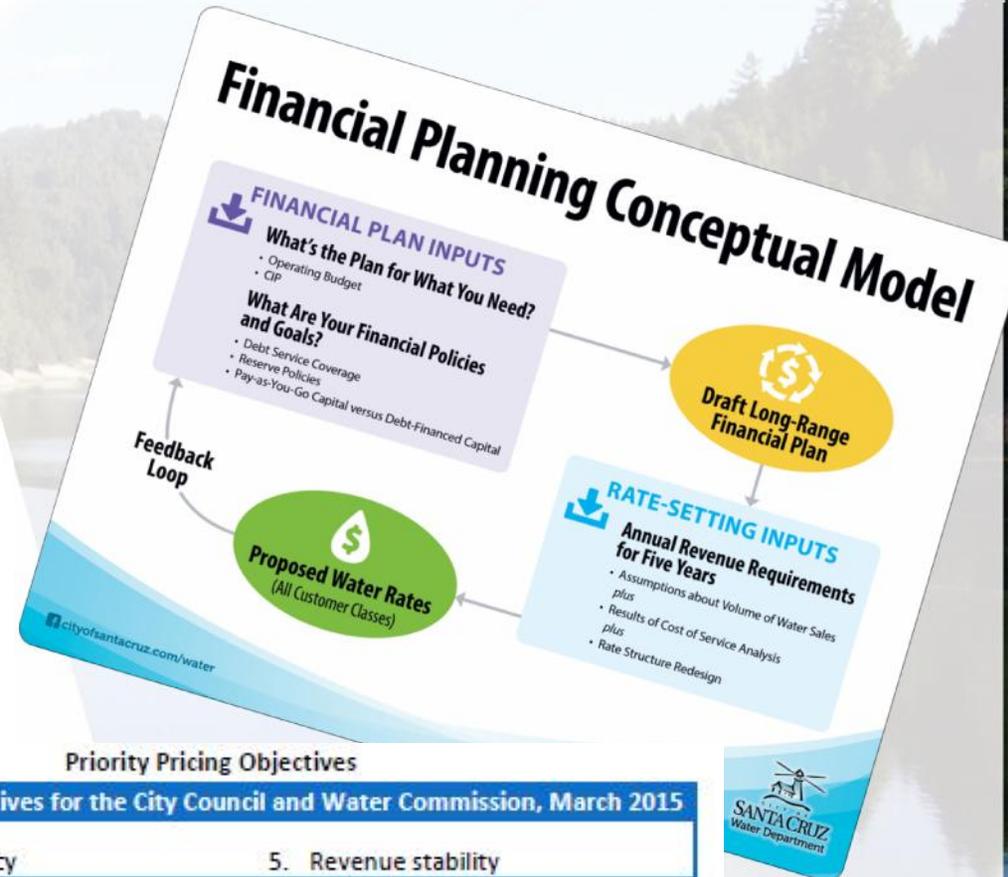
So... 2016 Was All about the Money

CITY OF SANTA CRUZ WATER DEPARTMENT

LONG RANGE FINANCIAL PLAN



Financial Planning Conceptual Model



The diagram illustrates a cyclical process for financial planning. It starts with 'FINANCIAL PLAN INPUTS' (What's the Plan for What You Need?) which includes Operating Budget and CIP. This leads to 'What Are Your Financial Policies and Goals?' (Debt Service Coverage, Reserve Policies, Pay-as-You-Go Capital vs Debt-Financed Capital). This step feeds into 'Draft Long-Range Financial Plan'. From there, it moves to 'RATE-SETTING INPUTS' (Annual Revenue Requirements for Five Years), which includes assumptions about water sales, cost of service analysis, and rate structure redesign. This leads to 'Proposed Water Rates (All Customer Classes)'. A 'Feedback Loop' arrow returns from the proposed rates to the financial plan inputs. A URL 'cityofsantacruz.com/water' is also present.

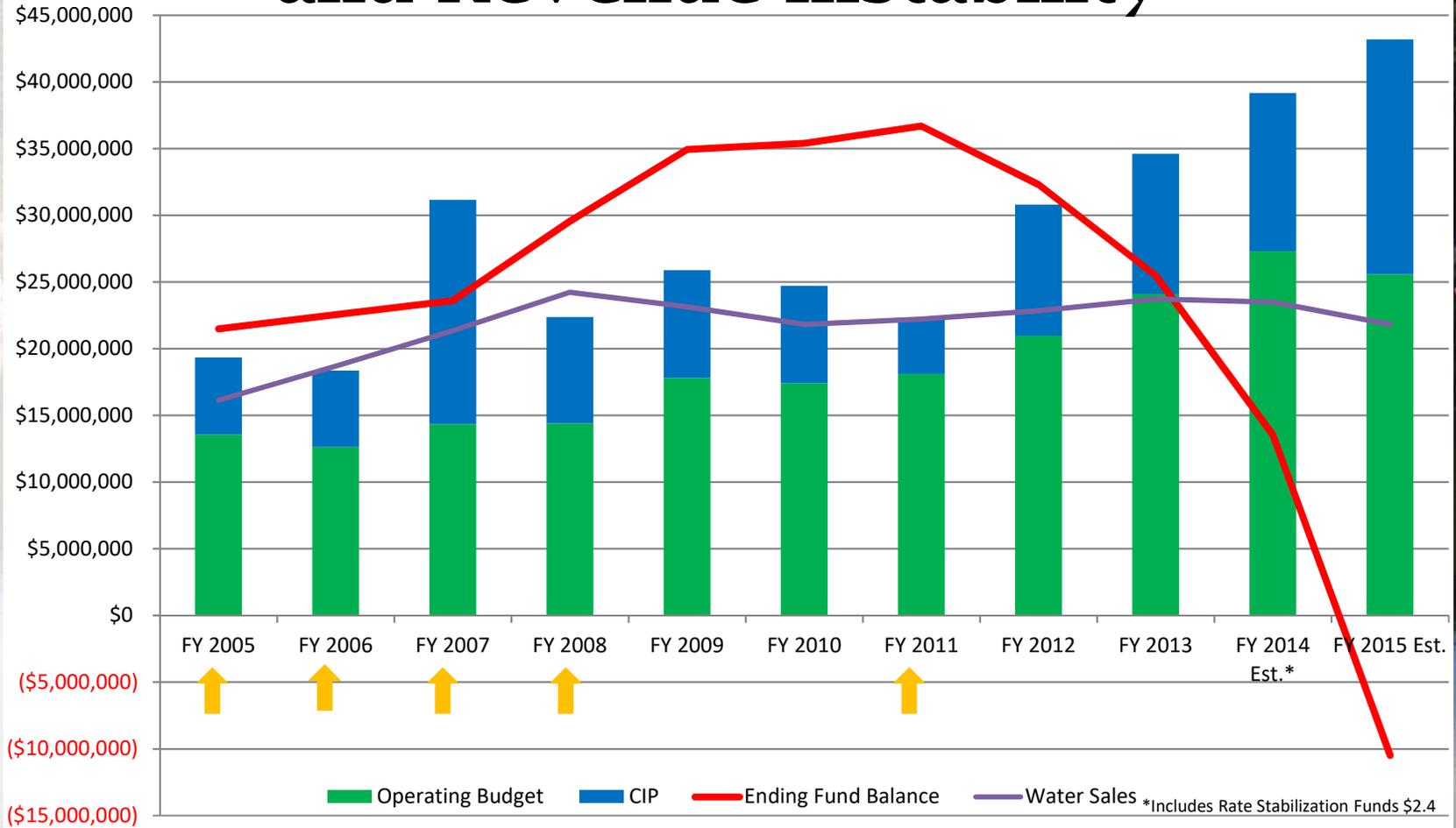
Priority Pricing Objectives

| Composite Pricing Objectives for the City Council and Water Commission, March 2015 | |
|--|--------------------------------|
| 1. Revenue sufficiency | 5. Revenue stability |
| 2. Promotes efficiency | 6. Understandable by customers |
| 3. Perceived to be fair by the public | 7. Promotes conservation |
| 4. Affordable for essential uses | 8. Rate stability |



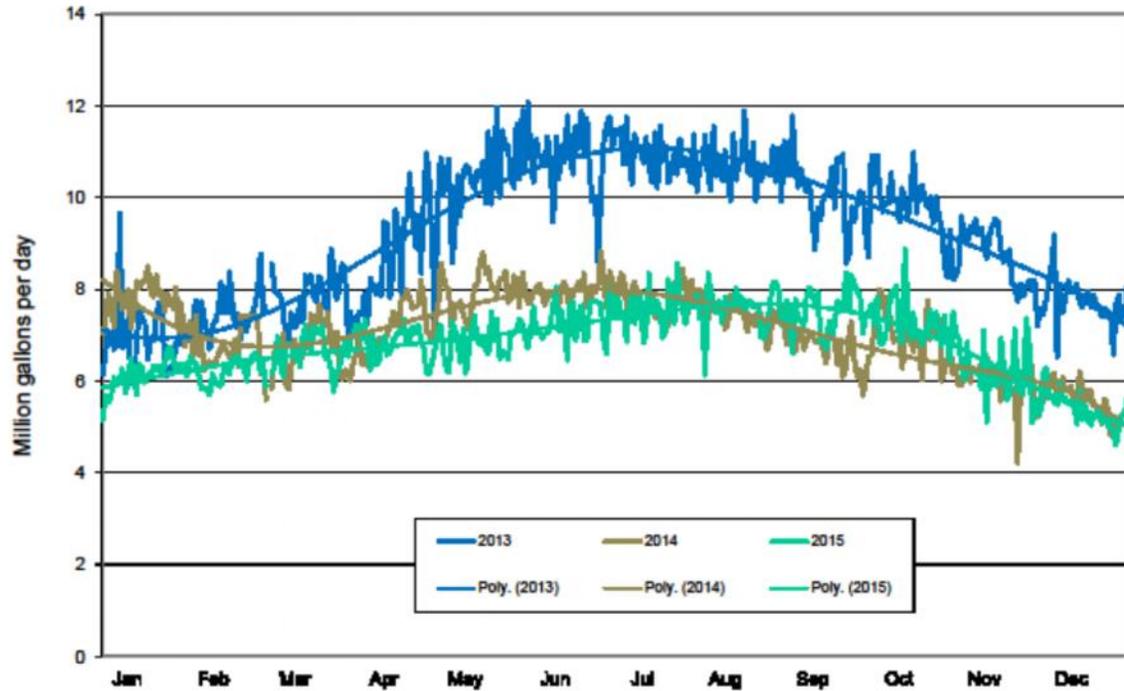
DEFINING OUR FINANCIAL ISSUES AND STRATEGY

Addressing the Department's Depleted Fund Balance and Revenue Instability

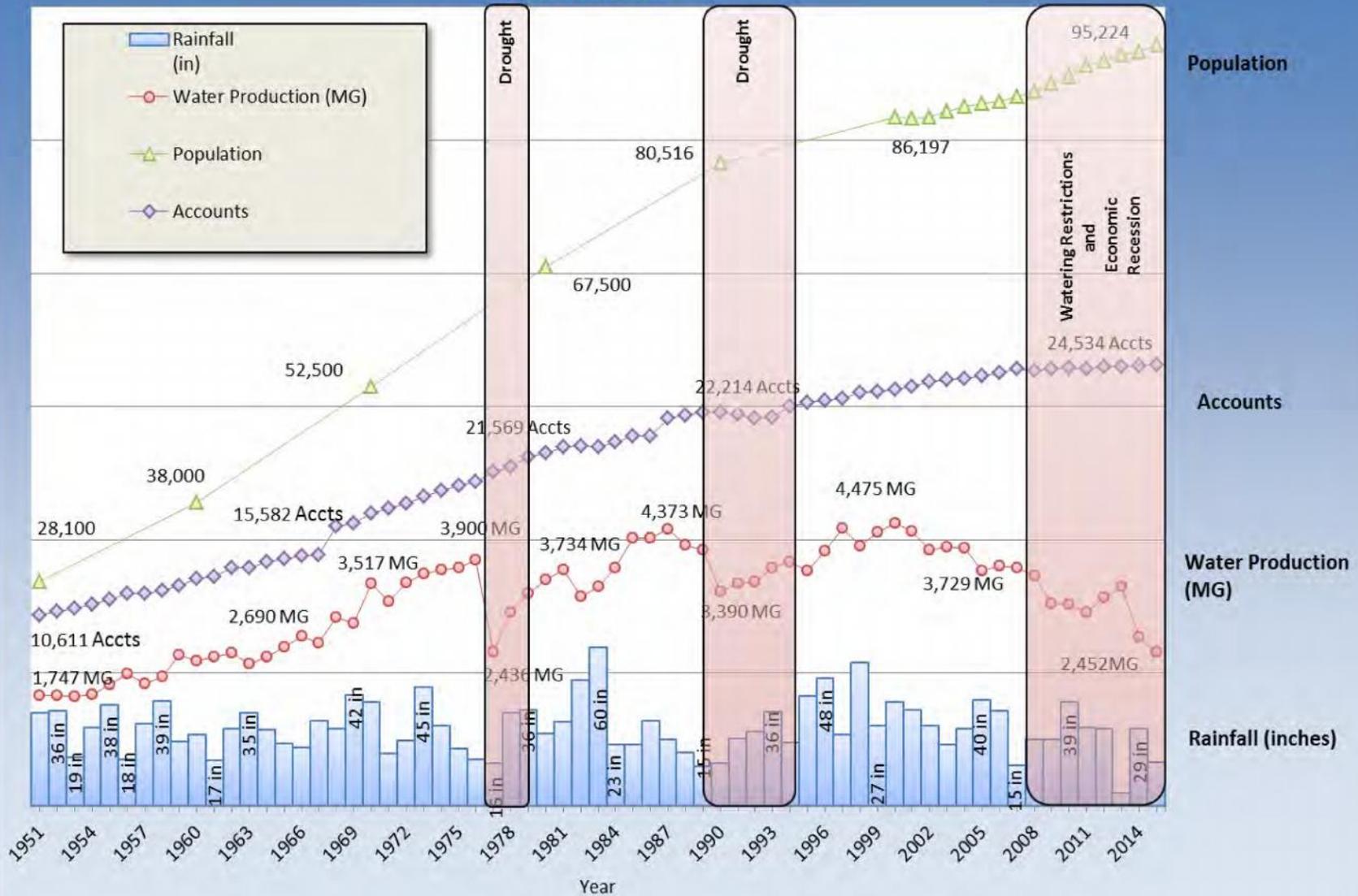


Changing Trend in Water Consumption

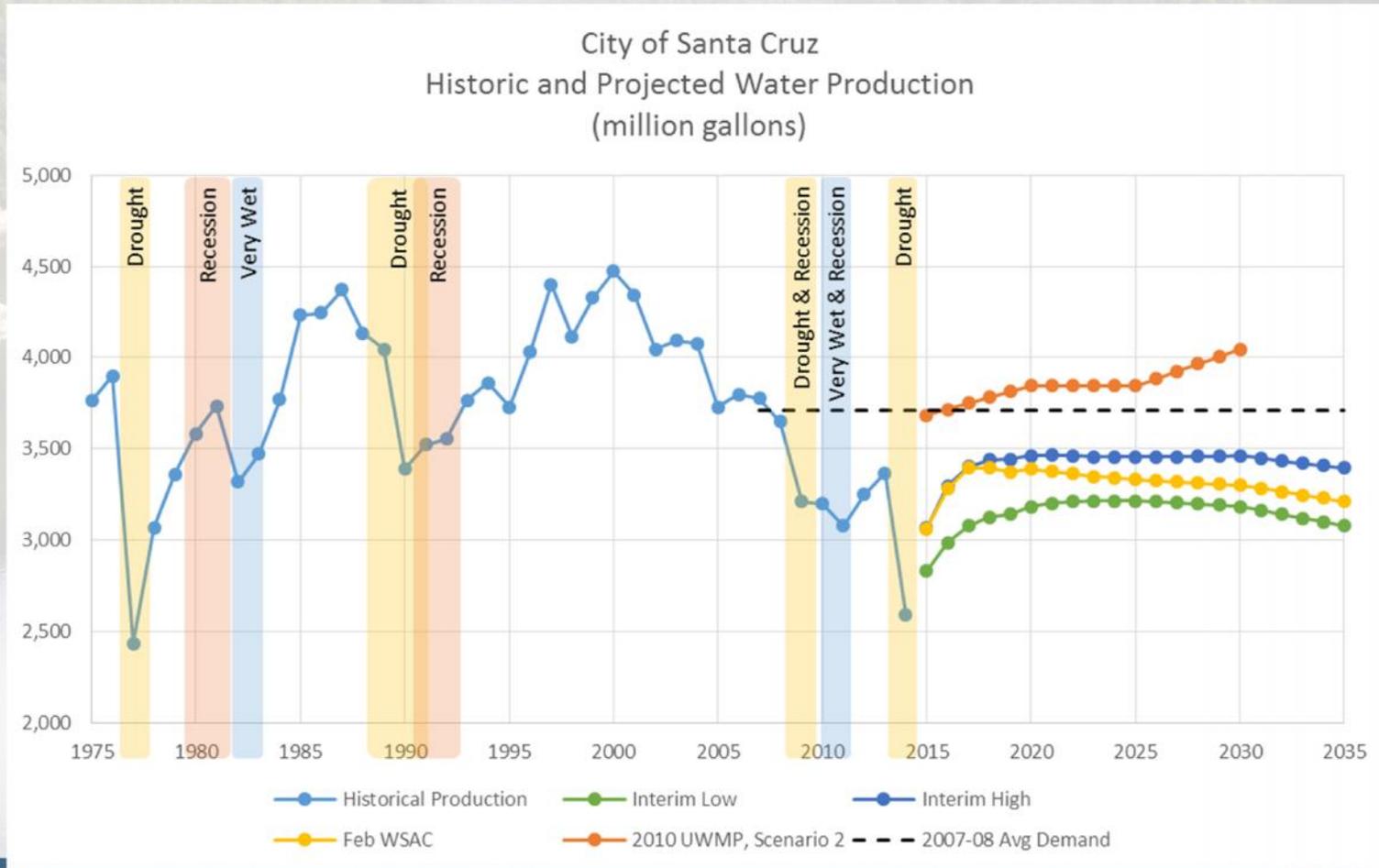
Gross Daily Water Consumption
2014 and 2015 compared to 2013



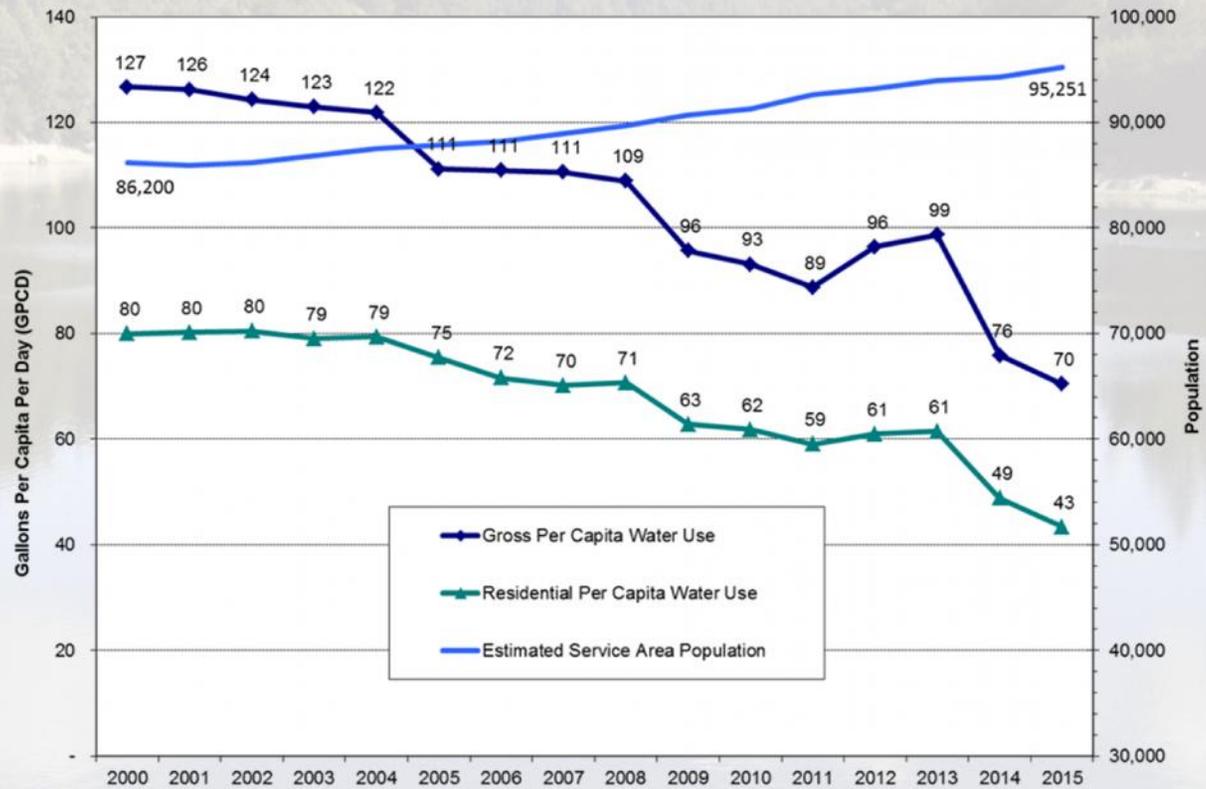
Population, Accounts, Water Production, and Rainfall 1951-2014 City of Santa Cruz



The 20 year water demand forecast, including projected growth and consistency with the City's General Plan, is FLAT

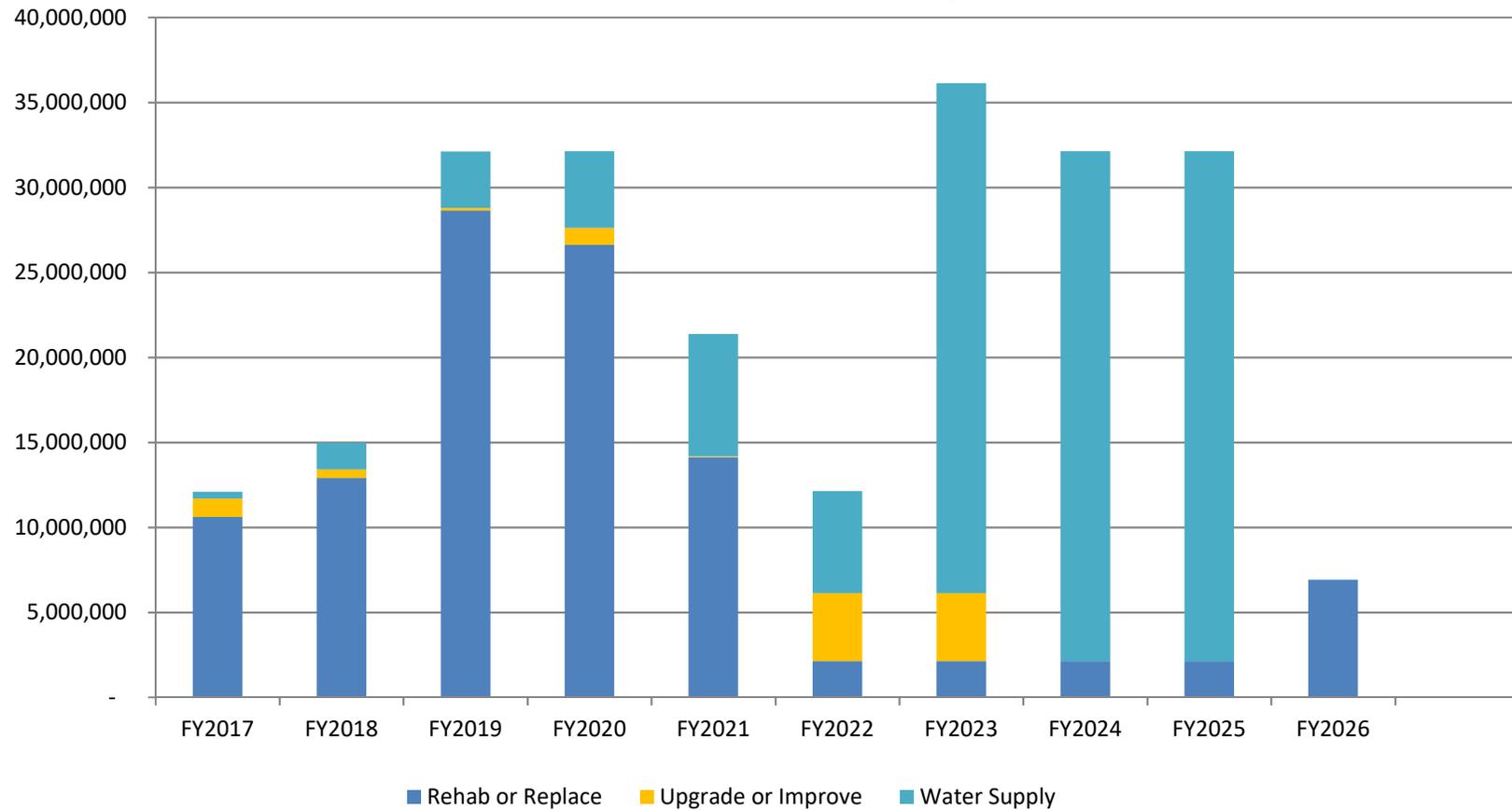


The GPCD Trend is Definitely Downward



Addressing the Need for Significant Capital Investment Requirement

10-Year CIP Summary



Implementing this Capital Improvement Program Would Require Borrowing

- Cost-effective borrowing requires a good credit rating;
- Getting a good credit rating requires:
 - Adoption and ongoing implementation of financial policies for debt service coverage and financial reserves
 - Maintaining appropriate reserves; and
 - Operating in a manner that demonstrates ongoing financial stability

Santa Cruz Water Utility's 2014 Credit Rating

Exhibit 1

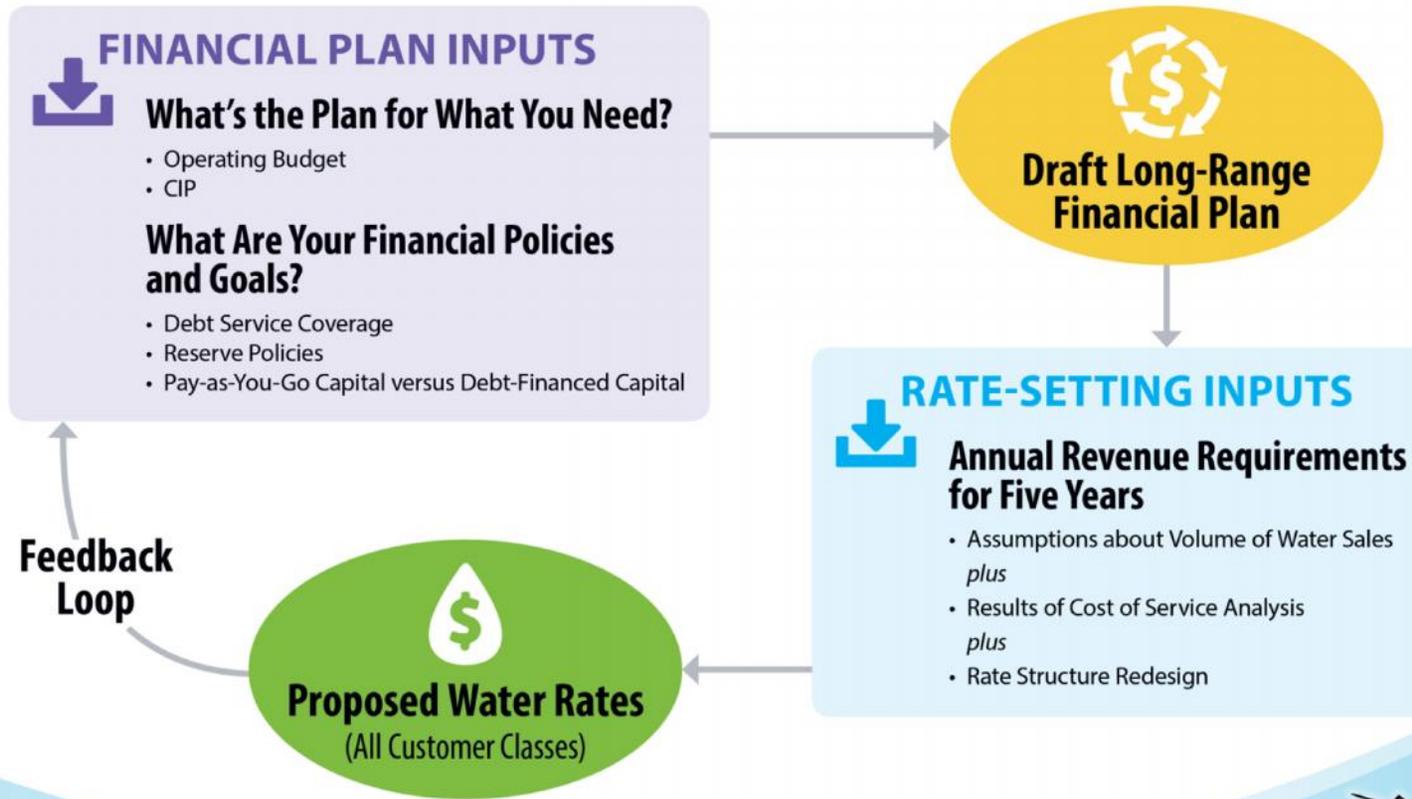
Municipal Bond Credit Rating Scale

| | Moody's | Standard & Poor's | Fitch |
|--------------------|---------|-------------------|-----------|
| Best Quality | Aaa | AAA | AAA |
| High Quality | Aa1 | AA+ | AA+ |
| | Aa2 | AA | AA |
| | Aa3 | AA- | AA- |
| Upper Medium Grade | A1 | A+ | A+ |
| | A2 | A+ | A+ |
| | A3 | A- | A- |
| Medium Grade | Baa1 | BBB+ | BBB+ |
| | Baa2 | BBB | BBB |
| | Baa3 | BBB- | BBB- |

Santa Cruz Water Refunding Bonds Series 2014

Drought and the Department's declining fund balance played a big role in these credit ratings.

Financial Planning Conceptual Model



Maintaining a Strong Credit Rating

- **Stronger Credit Rating = Lower Borrowing Costs**
- **Good Policy Choices Are Needed Regarding:**
 - Debt Service Coverage Ratio (DSCR)
 - Meet the minimum required in bond covenant
 - Set a higher Financial Policy Goal
 - Cash Balances
 - Number of Days of O&M Expenses
 - CIP Funding
 - Debt Funded versus Pay-As-You-Go Funded

Rating Agency Factors Used in Assigning a Rating

| Rating Factor | Rating Sub-Factors & Description |
|------------------------|--|
| System Characteristics |) Asset Condition |
| |) Service Area Wealth (Median Family Income) |
| |) Gross County Product |
| |) Unemployment Rate |
| |) Annual Utility Bill as a % of Median Family Income |
| |) System Size (O&M) |
| Financial Strength |) Annual Debt Service Coverage ← 2 important policy choices |
| |) Days Cash on Hand |
| |) Debt to Operating Revenues |
| |) Debt to Capitalization Ratio |
| Management |) Rate Management |
| |) Regulatory Compliance |
| |) Capital Planning |
| |) Financial Planning (Debt & Investment Policies) |
| |) Operational Risk (Water Supply Adequacy) |
| Legal Provisions |) Rate Covenant |
| |) Debt Service Reserve Requirement |

Recommended and Adopted Financial Policies:

- **Debt Service Coverage Target** set at 1.5 times annual debt service;
- **Drought Cost Recovery Fee** linked to the level of the drought stage is automatically implementable whenever the City Council declares a drought emergency; and
- **Established Cash Reserves** with specific funding strategies for several purposes.

Recommended and Adopted Reserve Funds Include:

- A 180 days operating cash reserve
 - Cash reserve is split equally between a separate cash reserve fund and a year end reserve in the main operating fund;
- A \$10 million Rate Stabilization Reserve
 - Funded by a \$1 per HCF surcharge levied in 2017 and in effect until \$10 million is accumulated; and
- A \$3 million Emergency Reserve funded in part by drought excessive use penalty funds.

Current Status

- Operating Cash and Emergency Reserves are fully funded as of 6/30/2018;
- Rate Stabilization Reserve expected to be funded at \$10 million before the end of the current fiscal year;
- Department has financed \$25 million in capital spending in 2017 through the California Economic Development and Infrastructure Bank and has executed a \$25 million revolving line of credit for short term financing in 2018; and
- First market rate debt issuance and new credit rating expected before the end of this fiscal year.



Questions

Our Water, Our Future





CAMBRIA COMMUNITY SERVICES DISTRICT

P.O. Box 65 • Cambria, CA 93428 • Telephone: (805) 927-6223 • Fax: (805) 927-5584

CCSD OWNED VEHICLE POLICY

I. PURPOSE

- A. This policy of the Board of Directors for the Cambria Community Services District ("CCSD") establishes policies and procedures for the use of CCSD owned vehicles. For the purpose of this policy, vehicles leased or rented by the CCSD are considered CCSD Owned vehicles.

II. VEHICLE USAGE-GENERAL

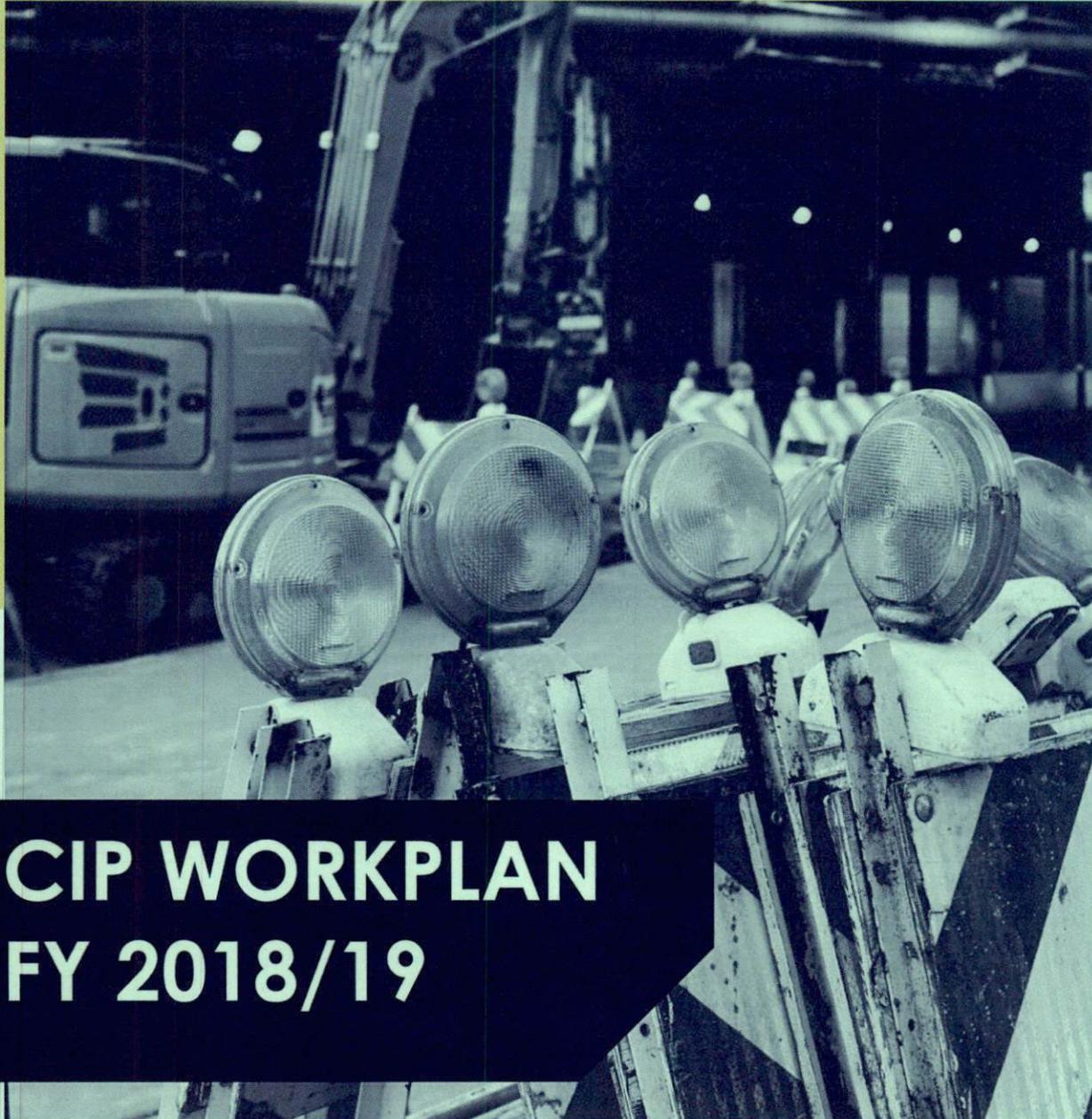
- A. All CCSD employees are required to have and maintain a valid California Driver's License. Employees shall follow all laws, rules, and regulations of all jurisdictions while operating a vehicle on CCSD business. Any fines or other penalties incurred by an employee shall be the responsibility of the employee.
- B. Individuals not employed by the CCSD or working for the CCSD as a private contractor shall not travel in CCSD vehicles unless approved by the General Manager. Individuals not employed by the CCSD shall never operate CCSD vehicles except for individuals performing approved maintenance/repair services on the vehicle.
- C. If a motor vehicle accident occurs while on CCSD business, the appropriate law enforcement agency shall be contacted immediately and every attempt shall be made to have a report completed. If the law enforcement agency declines to prepare a report, the employee shall record the name of the party contacted at the law enforcement agency, the time that they were contacted, and a written report of the facts and circumstances surrounding the accident shall be completed by the employee at the earliest opportunity. The employee's report will include the contact information of all parties involved in the accident, including vehicle descriptions, and insurance coverage. The employee's supervisor shall be notified of the accident at the earliest opportunity, but in any event no later than by the next business day. The supervisor is responsible for having the accident being reported to the Risk Manager or his/her designee at the earliest opportunity, but in any event no later than by the end of the next business day.
- D. Smoking is not permitted in any CCSD vehicles.

- E. All CCSD vehicles shall be appropriately marked with CCSD identification unless otherwise approved by the General Manager.
- F. No CCSD vehicle shall be driven if it is known to be in an unsafe condition. Any mechanical problems related to a CCSD vehicle shall be immediately reported. When using CCSD vehicles, employees shall not abuse the vehicle in any way.
- G. Use of a CCSD vehicle is prohibited while on vacation or on other leave. Transporting family members, except where such persons are also CCSD employees or are otherwise on official CCSD business, in CCSD owned vehicles is also prohibited, except in emergency situations. Transporting friends or other persons, except where such persons are also CCSD employees or are otherwise on official CCSD business, in CCSD owned vehicles is also prohibited.
- H. When utilizing a CCSD or privately-owned vehicle for Travel, the vehicle may be used to attend meals and other activities directly related to the training, conference or other Travel function.

III. VEHICLE USAGE-COMMUTING

- A. In order to provide as prompt of a response as possible for emergency situations, CCSD employees on Standby and whenever else it is deemed necessary by a Department Manager shall use a CCSD vehicle for travel between the employee's home and place of work. In cases where a Department Manager uses a CCSD owned vehicle for personal use, approval from the General Manager is required. During times of such use, the employee's personal use of the vehicle is limited to direct commuting and de minimis personal use. Such use is limited to necessary tasks of short duration and shall be minimized to the fullest extent possible.
- B. The personal use of a CCSD owned vehicle is a taxable fringe benefit subject to income and employment taxes. Personal use includes commuting to and from work. The value of the fringe benefit must be included in the employee's wages or reimbursed by the employee to the CCSD. The CCSD has determined that it is in the CCSD's and employees' best interest to use the Commuting Rule to determine the value provided to employees. Under this rule, the value of the commuting cost of the vehicle provided to the employee is determined by multiplying each one-way commute (that is, from home to work or work to home) by \$1.50. If more than one employee commutes in the vehicle, this value applies to each employee. A control employee cannot use the Commuting Rule. Control employees for government employers are either elected officials or an employee whose compensation equals or exceeds the amount for a Federal Government Executive-Level V. For these employees, the Annual Lease Value (if the employee is provided a vehicle for 30 or more days of continuous use) or Daily Lease Value (if the employee is provided a vehicle for less than 30 days of continuous use) methodology shall be used.

- C. Use of qualified nonpersonal-use vehicles is considered a working condition benefit and is not taxable to the employee under any circumstances. The CCSD's vehicles considered to be qualified nonpersonal-use vehicles include:
- Clearly marked fire vehicles.
 - Any vehicle designed to carry cargo with a loaded gross weight over 14,000 pounds.
 - Tractors and other special purpose farm vehicles.
- D. The value of personal use of CCSD owned vehicles will be included in an employee's bi-weekly pay if the Commuting Rule is to be used to arrive at the value. If the Annual Lease Value or Daily Lease Value method is being used for valuation purposes, the value of personal use of CCSD owned vehicles will be included in the employee's second bi-weekly pay in each month for the previous month.
- E. For employees that are on Standby status, the value of personal use of CCSD owned vehicles shall be computed by multiplying the number of days on Standby plus the number of times while on Standby that the employees are paid overtime per their bi-weekly timesheet. For all other employees, the number of days that a CCSD owned vehicle is used by an employee where personal use is involved shall be noted on the employee's biweekly timesheet.
- F. If an employee is eligible to use the Commuting Rule to arrive at the value of personal use and they elect to reimburse the CCSD for the personal use rather than have it added to their wages, reimbursement must be submitted with their bi-weekly timesheet.



CIP WORKPLAN FY 2018/19

Cambria Community Services District



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TABLE OF CONTENTS

| | |
|---|---|
| INTRODUCTION | 3 |
| Proposition 218 | 3 |
| Identified Capital Improvement Projects | 3 |
| Projected Revenue Summary through June 30, 2019 | 3 |
| WASTEWATER FUND | 4 |
| Deferred CIP Items | 4 |
| WATER FUND | 5 |
| SUSTAINABLE WATER FACILITY FUND | 6 |

INTRODUCTION

Proposition 218

On October 4, 2018, the CCSD held a Public Hearing on Proposed Increases to Water, Sustainable Water Facility, and Sewer Rates. With the absence of a majority protest, the proposed rate increases were adopted effective November 1, 2018. The rate increases were deemed necessary to fund investment in the District's aging infrastructure. A preliminary estimate of increased revenue was provided by former Finance Manager and current retired annuitant, Alleyne LaBossiere in his October 11, 2018 summary from item 3.C of the October Finance Committee meeting (Attachment A). Using these figures, this Capital Improvement Project (CIP) Workplan has been created to identify projects for implementation in the remaining months of Fiscal Year 2018/19.

Identified Capital Improvement Projects

Bob Gresens established a preliminary CIP sheet for each utility department based off his nearly 20 years' experience as District Engineer. These sheets are draft documents originally intended for discussion purposes only and are subject to revision in scope, projected cost, and priority level. The CIP items presented in this workplan have been pulled from these more detailed sheets, which can be viewed in Attachment B.

Projected Revenue Summary through June 30, 2019

| Department | Projected Prop 218 Revenue |
|------------|----------------------------|
| Wastewater | \$240,000 |
| Water | \$320,000 |
| SWF | \$76,000 |

Beyond CIP, the Infrastructure Committee has also recommended adding two new wastewater operators to operate and maintain the collection system, as well as the need for a reserve set aside each year. It should be noted that such costs are not included in this plan.

January 2019

WASTEWATER FUND

| | |
|---|-------------|
| Projected Prop 218 Revenue | \$240,000 |
| Existing Fund Deficit | (\$27,722) |
| Interfund Loan Debt Service* | (\$102,742) |
| F-350 Service Truck Purchase** | (\$57,040) |
| Lift Station A-1 Control Panel Upgrade*** | (\$52,496) |
| BALANCE | \$0 |

*Per the approved Prop 218 Rate Increase, the repayment of the \$466,000 interfund loan was scheduled to begin in FY 2020/21. However, the approved Interfund Loan Agreement executed August 23, 2018 established a repayment schedule starting on June 30, 2019. This amount was not included in the approved FY 2018/19 operating budget. As a result, the available funding for CIP has been reduced.

**Per Board action at the December 13, 2018 regular meeting, the purchase of the F-350 service truck was approved as a cash purchase. As a result, the available funding for CIP has been reduced.

***The Lift Station A-1 Control Panel Upgrade was included as a Wastewater priority item for the 2nd Half FY 2018/19 and recommended by the Standing Infrastructure Committee at their October 30, 2018 meeting. Recent failures at this lift station have elevated the need to complete this critical project as soon as possible.

Proposed CIP Items for 2nd Half FY 2018/19 - Unfunded

| DESCRIPTION | COST |
|--|-----------------|
| 1. Digester Handrails Rust Converter and Paint | \$15,000 |
| TOTAL | \$15,000 |

Other Major Maintenance/Operations Expenses Removed from CIP 2nd Half FY 2018/19 - Unfunded

| DESCRIPTION | COST |
|---|-----------------|
| 1. Manhole Raising | \$10,000 |
| 2. Manhole Cover Replacements | \$20,000 |
| 3. Manhole Inspections and Corrections Report | \$30,000 |
| 4. Lift Station 9 Corroded Incoming Power Breaker Replacement | \$5,000 |
| 5. PC Replacement Program | \$10,000 |
| TOTAL | \$75,000 |

WATER FUND

The following CIP/major maintenance items were identified as priority needs by Water that can be implemented during the remainder of FY 2018/19.

| DESCRIPTION | COST |
|--|-----------------------|
| 1. SCADA System - Long-term Water Portion* | \$50,000 |
| 2. Vehicle Replacement Program Reserves | \$25,000 |
| | TOTAL \$75,000 |

*Due to recent recurring instrumentation, programming, and data logging failures at SR-4 and, to a lesser extent, SR-3 well sites, the SCADA system upgrade and replacement has become a more critical need for the Water Department.

SUSTAINABLE WATER FACILITY FUND

The following CIP/major maintenance items were identified as priority needs for the SWF that can be implemented during the remainder of FY 2018/19.

| DESCRIPTION | COST |
|--|-----------------------|
| 1. Consulting Services to Assist on Regular CDP | \$10,000 |
| 2. Miscellaneous Instrumentation/Monitoring Upgrades | \$10,000 |
| | TOTAL \$20,000 |

Due to an unusually wet March in 2018, the Sustainable Water Facility was not required to supplement the District's water supply during FY 2018/19. A trial operation (resulting in no product water reinjection) is planned during the remainder of this fiscal year to ensure the facility is standby-ready and to provide needed training for operational staff. Line 2 will fund any necessary repairs or upgrades identified during this test run.

FINANCE COMMITTEE

REGULAR MEETING

Thursday, October 11, 2018

REGULAR BUSINESS ITEM 3. C. DISCUSSION AND CONSIDERATION REGARDING NEW BUDGET BASED ON RATES PASSING OR NOT PASSING

If none of the rate increases called for in the current Proposition 218 process are passed, there will be no effect on the Water/Wastewater/SWF revenue as no revenue related to the proposed rate increases were included in the Fiscal Year 2018/2019 (FY 18/19) Final Budget. However, due to their being projected deficits in Wastewater (\$27,722) and the SWF Operating Department (\$414,751), which the CCSD Board of Directors requested that staff address in their August 23, 2018 meeting, there is still a need for the Uses of Funds to be reviewed and adjusted in a Mid-Year Budget even if none of the proposed rate increases take effect. In addition, there are areas of the Final Budget that have been identified as needing to be addressed, such as line item deficits as well as an error in the Allocated Overhead that necessitate budget revisions. At this time, while the revenue generated by the July-August, 2018 billing cycle slightly exceeded expectation, it is too early to project a revenue increase for the entire fiscal year. However, depending on the timing of the preparation of a Mid-Year Budget, there may be enough information to warrant a review of the Revenue section of the budget.

If the rates are passed, the budget effects would be as follows:

WATER-The proposed rate increase should generate additional revenue of \$320,000 for the 8 months that it would be in effect for in FY 18/19. While the Water Department is not projected to have a deficit in the current fiscal year, it has no reserves at this time, but it does have approximately \$6,000,000 in identified priority Water projects per the Capital Improvement Program. In addition, it has need for additional staffing and reserves should be built up for other purposes besides the projects on the Capital Improvement Program list.

WASTEWATER- The proposed rate increase should generate additional revenue of \$240,000 for the 8 months that it would be in effect for in FY 18/19. Although Wastewater's potential deficit of \$27,722 is well under the amount of additional revenue that would be generated, it should be noted that approximately \$1,000,000 was deleted from Wastewater's requested budgeted expenditures to reduce the projected deficit to that amount. In addition, Wastewater is understaffed, has no reserves, has approximately \$9,000,000 in identified priority Wastewater projects per the Capital Improvement Program and owes the General Fund \$466,000 plus interest. There are \$970,000 in Wastewater Capital Improvement Program projects for FY 18/19 identified as being dependent on the rate increase. Obviously, Wastewater has significant and varied needs to address if the proposed rate increase takes effect.

SWF- The proposed rate increase should generate additional revenue of \$76,000 for the 8 months that it would be in effect for in FY 18/19. With a projected deficit of \$414,751, any additional revenue would be applied to the deficit.

Wastewater CIP - Capital Improvement Program (Revised 1/7/2019 - For Discussion Only)

Option shown for keeping 2nd half FY 18/19 expenditures below an estimated maximum limit of \$109,536
 The \$109,536 limit is based on there being a \$212,278 increase in FY18/19 WW revenue from the recent rate increase (about 8 months of increase), which is reduced by an initial deficit of \$27,722, plus a debt replacement loan payment of \$102,742 (payment due in June 2019)

| | Expansion [X], Replacement [R] Operations [O] | % | % | % | Priority Ranking | Budget Year | Projected | | | | | | | | | | Total | |
|---|---|-------|-----|----|---------------------|-------------|------------------------------------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | | | | | 1st Half FY18/19 | 2nd Half FY18/19 | FY19/20 | FY20/21 | FY21/22 | FY22/23 | FY23/24 | FY24/25 | FY25/26 | FY26/27 | | |
| Wastewater Projects | | | | | | | | | | | | | | | | | | |
| Wastewater Treatment Plant Projects | | | | | | | | | | | | | | | | | | |
| 1 | Influent screen, support platform design, & installation | R/O | 20 | 80 | 1 | \$ 164,509 | | | | | | | | | | \$ 164,509 | | |
| 2 | Design & install switch between WWTP's main incoming power transformer supply & existing MCC | | 20 | 80 | 1 | \$ 75,000 | | | | | | | | | | \$ 75,000 | | |
| 3 | Neutral wire installation from PG&E-provided delta to wye main replacement transformer to main MCC | R | 20 | 80 | 1 | \$ 20,000 | | | | | | | | | | \$ 20,000 | | |
| 4 | Replace WWTP main power supply breaker and auto-transfer switch; (or, do project 5B.) | R | 20 | 80 | 1 | | | \$ 30,000 | | | | | | | | \$ 30,000 | | |
| 5 | Replace main incoming power Motor Control Center with Y-configuration supply; (or, do project 5A) | R | 20 | 80 | 1 | | | \$ 300,000 | | | | | | | | \$ 300,000 | | |
| 6 | WWTP Update BNR Modeling Update & Value Engineering (early half of FY) | X/R/O | 20 | 20 | 80 | 1 | \$ 40,000 | | | | | | | | | \$ 40,000 | | |
| 7 | Aeration tank baffles, anoxic mixers, & ML recirc system (later half of FY) | R/O | 20 | 80 | 1 | \$ 40,000 | \$ 80,000 | | | | | | | | | \$ 120,000 | | |
| 8 | Replace digester catwalk handrailings (painting is not included, & is to be funded from 6032T, WWTP maintenance & repair) | R | 20 | 80 | 1 | \$ 45,000 | | | | | | | | | | \$ 45,000 | | |
| 9 | Plant non-potable 3W improvements & non-potable sprays for screw press | | 20 | 80 | 1 | | | \$ 15,000 | | | | | | | | \$ 15,000 | | |
| 10 | Improve grit tank hydraulic capacity (placeholder, insert approx \$10K cost if needed) | X/R/O | 20 | 20 | 80 | 1 | | | | | | | | | | \$ - | | |
| 11 | Replace effluent pump (southern pump) | | 20 | 80 | 1 | \$ 25,000 | | | | | | | | | | \$ 25,000 | | |
| 12 | Effluent P.5. bypass piping | | 20 | 80 | 1 | | | \$ 20,000 | | | | | | | | \$ 20,000 | | |
| 13 | Misc WWTP lab upgrades & investment in electronic self-monitoring reporting | | 20 | 80 | 1 | \$ 10,000 | \$ 10,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 3,000 | \$ 41,000 | | |
| 14 | Incoming power supply monitoring & conditioning system (8/24/2018 ESpec Quote + 25K estimate to install) | R | 20 | 80 | 2 | \$ 61,105 | | | | | | | | | | \$ 61,105 | | |
| 15 | Automate aeration D.O. control system (CVs at air headers, press control @ main air header, new DO probes) | X/R/O | 20 | 20 | 80 | 2 | \$ 50,000 | \$ 100,000 | | | | | | | | \$ 150,000 | | |
| 16 | Upgrade/replace aeration blowers | X/R/O | 20 | 20 | 80 | 2 | \$ 30,000 | \$ 150,000 | | | | | | | | \$ 180,000 | | |
| 17 | Blower electrical room air filtration/conditioning for moisture & corrosion control | | 20 | 80 | 2 | | \$ 10,000 | | | | | | | | | \$ 10,000 | | |
| 18 | Replace main WWTP backup power generator | | 20 | 80 | 2 | | | \$ 200,000 | | | | | | | | \$ 200,000 | | |
| 19 | Repair or replace protective surge tank for plant effluent pipeline | | 20 | 80 | 2 | | | \$ 25,000 | | | | | | | | \$ 25,000 | | |
| 20 | Annual electrical & instrumentation improvements | X/R/O | 20 | 20 | 80 | 2 | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ 360,000 | | |
| 21 | SCADA System - WWTP - long-term improvements | X/R/O | 20 | 20 | 80 | 2 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 225,000 | | |
| 22 | Cathodic protection replacements at digesters | R | 20 | 80 | 3 | | | \$ 10,000 | | | | | | | | \$ 10,000 | | |
| 23 | Long-term plant upgrades - new sludge digester, flow equalization improvements, denite/phosphorous removal | | 20 | 80 | 3 | | | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 1,500,000 | | |
| 24 | Demo and remove old flow equalization tanks in SW corner of plant | | | | 100 | 3 | | \$ 40,000 | | | | | | | | \$ 40,000 | | |
| 25 | Paint Digester Handrails (to be funded from 6032T, WWTP maintenance & repair) | | | | | | \$ 15,000 | | | | | | | | | \$ 15,000 | | |
| Collection System Projects | | | | | | | | | | | | | | | | | | |
| 26 | Manhole raining due to street overlays & roadway work | | 20 | 80 | 1 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 90,000 | | |
| 27 | Lift Station A (Nottingham & Leighton/Park Hill) new control panel at grade el. | X/R/O | 20 | 20 | 80 | 1 | \$ 10,000 | \$ 80,000 | | | | | | | | \$ 90,000 | | |
| 28 | Lift Station A-1 (Sherwood & Harvey/Marine Terrace) new control panel at grade el. (removed from mid-year total on 11/20/2018 to balance) | X/R/O | 20 | 20 | 80 | 1 | \$ 65,000 | | | | | | | | | \$ 65,000 | | |
| 29 | Lift Station B improvements (SR Creek/behind Park Hill) new control panel | X/R/O | 20 | 20 | 80 | 1 | | | | | | | | | | \$ - | | |
| 30 | Lift Station B - new wet well, submersible pumps, and valve vault (placeholder) | X/R/O | 20 | 20 | 80 | 1 | | | | | \$ 300,000 | | | | | \$ 300,000 | | |
| 31 | Lift Station B-1 (Village Ln/Tin City) relocate away from Feb 2017 landslide area (potential 50% FEMA 406 funding) | X/R/O | 20 | 20 | 80 | 1 | | \$ 300,000 | | | | | | | | \$ 300,000 | | |
| 32 | Lift Station B-2 (Wood Dr./E. Lodge Hill) new control panel at grade el. | X/R/O | 20 | 20 | 80 | 1 | | \$ 75,000 | | | | \$ 35,000 | \$ 315,000 | | | \$ 425,000 | | |
| 33 | Lift station 9 - replace corroded main incoming power breaker | | 100 | | 1 | \$ 3,000 | | | | | | | | | | \$ 3,000 | | |
| 34 | SCADA System - Collections System - long-term improvements | X/R/O | 20 | 20 | 80 | 2 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 225,000 | | |
| 35 | Collection System smoke testing | | | | 100 | 2 | \$ 50,000 | | | | | | | | | \$ 50,000 | | |
| 36 | Annual manhole inspections and report on needed corrections (approx. 20% of system/yr) | | | | 100 | 2 | \$ 40,000 | \$ 40,000 | \$ 40,000 | \$ 40,000 | \$ 40,000 | \$ 40,000 | \$ 40,000 | \$ 40,000 | \$ 40,000 | \$ 200,000 | | |
| 37 | Collection System Phased televising & cleaning (revised 11/20/18 reduced cost by 50% & extended number of years - SSMP has this over 10 yrs.) | R/O | | | 100 | 2 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 450,000 | | |
| 38 | Collection System Assessment software (E.g. 14 Spatial or other) | | | | 100 | 2 | \$ 10,000 | | | | | | | | | \$ 10,000 | | |
| 39 | Collection System Assessment/Engineering for repairs (extended number of years - SSMP has this occurring over 10 yrs) | | | | 100 | 2 | \$ 30,000 | \$ 30,000 | \$ 30,000 | \$ 30,000 | \$ 30,000 | \$ 30,000 | \$ 30,000 | \$ 30,000 | \$ 30,000 | \$ 270,000 | | |
| 40 | Collection System Repairs to reduce I/I & damaged pipe sections | | | | 100 | 2 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 450,000 | | |
| 41 | Lift Station A (Nottingham & Leighton/Park Hill) new submersible pumps, MCC, bypass piping | X/R/O | 20 | 20 | 80 | 2 | | | \$ 50,000 | \$ 350,000 | | | | | | \$ 400,000 | | |
| 42 | Lift Station A-1 (Sherwood & Harvey/Marine Terrace) submersible pumps, MCC, bypass piping | X/R/O | 20 | 20 | 80 | 2 | | | \$ 40,000 | \$ 225,000 | | | | | | \$ 265,000 | | |
| 43 | Lift Station B - replace existing generator | X/R/O | 20 | 20 | 80 | 2 | | \$ 60,000 | | | | | | | | \$ 60,000 | | |
| 44 | Lift Station B-3 (Green St./W. Lodge Hill) new control panel followed by future submersible pumps, MCC, bypass piping | X/R/O | 20 | 20 | 80 | 2 | | \$ 90,000 | | | \$ 160,000 | | | | | \$ 250,000 | | |
| 45 | Lift Station B-4 (Green & Gleason/W. Lodge Hill) new submersible pumps, bypass piping | X/R/O | 20 | 20 | 80 | 2 | | | \$ 20,000 | \$ 240,000 | | | | | | \$ 260,000 | | |
| 46 | Replacement and New PCs for operators | | 20 | 80 | 2 | \$ 10,000 | | | | | | \$ 10,000 | | | | \$ 20,000 | | |
| 47 | Lift Station 4 (DeVault Pt/Seacliff Estates) VFDs /new elect panel & 3 phase pump motor | R/O | 20 | 80 | 3 | | \$ 25,000 | \$ 60,000 | | | | | | | | \$ 85,000 | | |
| 48 | Annual maintenance and upgrading to GIS (moved \$5K from capital program to WW acct 6080M) | R/O | 20 | 80 | 3 | | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 80,000 | | |
| 49 | Manhole cover replacements | | | | | \$ 20,000 | | | | | | | | | | \$ 20,000 | | |
| Vehicles and Trailer-Mounted Equipment | | | | | | | | | | | | | | | | | | |
| 50 | Motor truck - replace with new \$430K truck that meets emission requirements (7 yr loan @ 4.5%) | | 20 | 80 | 2 | | \$ 74,000 | \$ 74,000 | \$ 74,000 | \$ 74,000 | \$ 74,000 | \$ 74,000 | \$ 74,000 | \$ 74,000 | \$ 74,000 | \$ 518,000 | | |
| 51 | Vehicle Replacement Program | | | | 100 | 3 | | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 200,000 | | |
| 52 | Portable equipment replacement program (backhoes, generators and pumps) | | | | 4 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 135,000 | | |
| 53 | F350 or equal service truck with crane & mechanics body (\$56K initial cost; 5 yr loan @ 4.25%) | | | | | \$ 57,040 | | | | | | | | | | \$ 57,040 | | |
| 54 | Peripoint or equal TV inspection camera (removed cost from mid year total to meet reduced funding balance, 11/20/2018.) | | | | | \$ 50,000 | | | | | | | | | | \$ 50,000 | | |
| Overhead CIP Projects | | | | | | | | | | | | | | | | | | |
| 55 | (deleted financing software costs from this line on 11/20/2018 due to it being accounted for in admin budget) | | | | | | | | | | | | | | | \$ - | | |
| 56 | Contingency/reserves (amount remains TBD) | X/R/O | 20 | 20 | 80 | 4 | | | | | | | | | | \$ - | | |
| Notes: | | | | | | | | | | | | | | | | | | |
| Department priority projects/expenditures for remaining of FY | | | | | | | Total Per Year (all priorities) | \$ 209,509 | \$ 946,145 | \$ 1,824,000 | \$ 937,000 | \$ 777,000 | \$ 1,942,000 | \$ 672,000 | \$ 882,000 | \$ 567,000 | \$ 243,000 | \$ 8,857,614 |
| Shaded to show costs that would be deferred in order to balance remaining FY expenditures with revenue increase | | | | | | | Revised to meet projected increase | \$ 105,040 | | | | | | | | | \$ 105,040 | |
| Funded as Capital Outlay in 2018-2019 Budget | | | | | | | Priority Level 1 projects: | \$ 209,509 | \$ 298,000 | \$ 920,000 | \$ 13,000 | \$ 13,000 | \$ 313,000 | \$ 48,000 | \$ 328,000 | \$ 13,000 | \$ 13,000 | \$ 2,168,509 |
| | | | | | | | Priority Level 2 projects: | \$ - | \$ 491,105 | \$ 789,000 | \$ 554,000 | \$ 464,000 | \$ 1,329,000 | \$ 324,000 | \$ 254,000 | \$ 180,000 | \$ 4,639,105 | |
| | | | | | | | Priority Level 3 projects: | \$ - | \$ 100,000 | \$ 355,000 | \$ 285,000 | \$ 285,000 | \$ 285,000 | \$ 285,000 | \$ 285,000 | \$ 285,000 | \$ 35,000 | \$ 1,915,000 |
| | | | | | | | Priority Level 4 projects: | \$ - | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ 135,000 |
| Cummulative Total | | | | | | | | \$ 209,509 | \$ 1,155,654 | \$ 2,033,509 | \$ 2,970,509 | \$ 3,747,509 | \$ 5,689,509 | \$ 6,361,509 | \$ 7,243,509 | \$ 7,810,509 | \$ 8,053,509 | \$ 8,857,614 |

SWF Projects (Last Revised 1/7/2019 - For Discussion Only)

Preliminary costs need to be updated & tied to a an ENR/year basis.

| Line/ Project | Description | Expansion [X], Replacement [R] | | | Priority Ranking | | | | | | | | | | | Check of total | | |
|--|---|-----------------------------------|----|----|---------------------|---|---|-----------------------|---------------------|------------|------------|------------|------------|------------|------------|----------------|------------|------------|
| | | X | R | O | % | % | % | | | | | | | | | | | |
| No. | | Operations [O] | | | | | | First Half FY18/19 | 2nd Half FY19/20 | FY20/21 | FY21/22 | FY22/23 | FY23/24 | FY24/25 | FY26/27 | FY27/28 | | |
| SWF Projects | | | | | | | | | | | | | | | | | | |
| Regular Coastal Development Permitting Support | | | | | | | | | | | | | | | | | | |
| 1 | EIR consulting (follow up agency discussions to support the SWF's Regular CDP) | 20 | 80 | | | 1 | | \$ 10,000 | | | | | | | | \$ 10,000 | | |
| 2 | Section 7 ESA consulting, annual AMP report, & AMP update | 20 | 80 | | | 1 | | \$ 125,000 | | | | | | | | \$ 125,000 | | |
| 3 | Legal assistance for CEQA support and any subsequent appeals (amounts each year remain to be determined and are not shown) | | | | | | | | | | | | | | | | | |
| Interim, short-term SWF Modifications | | | | | | | | | | | | | | | | | | |
| 4 | Modifications to facilitate off-hauling RO concentrate, & addition of a flow meter at the AWTP. | | | | | 1 | | \$ 50,000 | | | | | | | | \$ 50,000 | | |
| Advanced Water Treatment Plant Improvements | | | | | | | | | | | | | | | | | | |
| 5 | Miscellaneous instrumentation / monitoring upgrades | 20 | 80 | | | 1 | | \$ 10,000 | | | | | | | | \$ 10,000 | | |
| Long-Term Improvement Modifications | | | | | | | | | | | | | | | | | | |
| 6 | Consulting assistance for coordination with Army Corps on WRDA grant (meetings, redefine work plan, & update scope of work) | | | | | 2 | | \$ 20,000 | \$ 20,000 | | | | | | | \$ 40,000 | | |
| 7 | Sems, Hach WIMS, or custom programmer for logging/reporting software and tablets (yr 1 is software/programming assistance) | 20 | 80 | | | 2 | | \$ 6,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 22,000 | | |
| 8 | Future permanent mods at SWF for trailer fill station [transfer tanks, piping, & spill containment/loading pad] (1,2) | 20 | 80 | | | 2 | | | | \$ 200,000 | | | | | | \$ 200,000 | | |
| 9 | AWTP pull-barn style covers for outdoor equipment & control panels (1,2) | 20 | 80 | | | 2 | | | | \$ 50,000 | | | | | | \$ 50,000 | | |
| 10 | Installation of remote sensing instrumentation at SS creek (needs access agreement with State Parks) | 20 | 80 | | | 3 | | \$ 10,000 | | | | | | | | \$ 10,000 | | |
| 11 | Surface Water Treatment Plant (SWTP) for Holding Basin and Well SS-1 treatment | 20 | | 80 | | 3 | | | | | \$ 150,000 | \$ 600,000 | \$ 600,000 | | | \$ 1,350,000 | | |
| 12 | Pipeline from Well SS-1 to surface water treatment plant (SWTP) | 20 | | 80 | | 3 | | | | | | \$ 75,000 | \$ 350,000 | | | \$ 425,000 | | |
| 13 | Impoundment basin conversion to groundwater storage, pump station at storage basin, and connecting pipelines | 20 | | 80 | | 3 | | | | | | \$ 75,000 | \$ 350,000 | | | \$ 425,000 | | |
| 14 | Solar Array System (1,2) | | | | | 3 | | | \$ 375,000 | | | | | | | \$ 375,000 | | |
| 2017 Cease & Desist Order Compliance - Non-capitalized Expenses | | | | | | | | | | | | | | | | | | |
| 15 | Short term flood damage/CDO response - consultants for surveying, project mgmt assistance & inspection, surface water hydrology & geohydrological | 20 | 80 | | | 1 | | | | | | | | | | \$ - | | |
| 16 | Short term flood damage mitigation - drainage swale construction | 20 | 80 | | | 1 | | | | | | | | | | \$ - | | |
| 17 | Short term flood damage mitigation - temporary closure plan equipment, installation, rentals, and temp power & controls | | | | 100 | 1 | | \$ 10,000 | | | | | | | | \$ 10,000 | | |
| 18 | Hauling off the last 18-inches of impoundment water & emptied impoundment cleaning | | | | 100 | 1 | | \$ 35,000 | | | | | | | | \$ 35,000 | | |
| Subtotal: | | | | | | | | \$ 175,000 | \$ 46,000 | \$ 222,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 457,000 | |
| Revised to meet projected increase | | | | | | | | | \$ 20,000 | | | | | | | | \$ 20,000 | |
| Priority Level 1 projects: | | | | | | | | \$ 175,000 | \$ 20,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 195,000 | |
| Priority Level 2 projects: | | | | | | | | \$ - | \$ 26,000 | \$ 222,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 | \$ 262,000 | |
| Priority Level 3 projects: | | | | | | | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Priority Level 4 projects: | | | | | | | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Cumulative: | | | | | | | | \$ 175,000 | \$ 221,000 | \$ 397,000 | \$ 399,000 | \$ 401,000 | \$ 403,000 | \$ 405,000 | \$ 407,000 | \$ 409,000 | \$ 411,000 | \$ 457,000 |

Notes:
 Department priority projects/ependitures for remaining of FY
 Shaded to show costs that would be deferred
 Estimated operational cost (not included in total for capital cost)